France	FFr6.50	Malaysia	Rgt4.25	Thailand	Bt50
Germany	DM2.30	Mexico	Peso300	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L600
Hong Kong	HK$12			UAE	Dh6.50
Iceland	IKr125			USA	$1.00
India	Rs15				

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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World News

Thousands in anti-Pinochet election protest

Hundreds of thousands of Chileans gathered for a final opposition rally on Saturday in Santiago in support of a No vote against General Augusto Pinochet in Wednesday's presidential plebiscite. Yesterday, pro-Government forces organised a horn-honking caravan of cars, buses and trucks which filled the streets of Santiago. Page 2

Strauss critical

Bavarian state Premier Franz Josef Strauss was unconscious and in critical condition after suffering a heart attack during a hunting trip.

Quayle breaks ranks

Republican vice-presidential candidate Dan Quayle broke with George Bush on how to proceed in strategic arms talks, saying conventional forces should be linked to the US-Soviet negotiations. Page 2

Cinema firebombed

A fire bomb attack badly damaged a cinema in Besancon, France, showing director Martin Scorsese's controversial film The Last Temptation of Christ. Traditionalist Catholics, who say the film is blasphemous, threw teargas into a Parisian cinema and attacked members of the audience when the film opened last week.

Gurkhas surrender

More than 5,000 Gurkha activists surrendered arms in northeastern Bengal state, bringing to an end their two-year-long violent campaign for a separate state, government-owned television said.

Satellite stays up

Israel's first satellite launched last month will remain in orbit for two to three weeks longer than planned. An unexpected accumulation of solar energy will enable it to circle the Earth for six to seven weeks before burning out.

Canada poll date

Canadian Prime Minister Brian Mulroney, putting his controversial free trade agreement with the US on the line, announced a general election for November 21.

Rebel rockets kill 5

Rebel rockets killed five people and wounded 17 in Jalalabad, the second attack on the eastern Afghan city in two days.

Labor claims victory

John Cain, premier of Australia's Victoria state, claimed a narrow victory for the state's ruling Labor party after elections, although the opposition refused to concede defeat.

Spanish nuclear poll

A majority of Spaniards believe a new eight-year defence pact between Madrid and Washington violates a 1986 referendum affirming a ban on nuclear weapons, a newspaper poll published yesterday.

Somali-Soviet talks

Somalia, which broke ties with the Soviet Union 10 years ago, had talks with Soviet officials this weekend on improving political, social and cultural co-operation, the official Somali news agency said.

Israel 'Watergate'

Israeli Prime Minister Yitzhak Shamir's right-wing Likud bloc accused the Labour Party of conducting an "Israeli Watergate" spying plot ahead of national elections next month.

Italy's Arc triumph

Italian-owned and trained Tony Bin, ridden by Ulsterman John Reid, won the $833,500 Prix de l'Arc de Triomphe, Europe's richest horse race, at Longchamp.

Voters stay away

French voters shunned the polling booths yesterday in the second round of regional cantonal elections. Early forecasts put the abstention rate at a post-war record of 52 per cent.

Drugs colonel quits

Haitian Lt Col Jean-Claude Paul, the target of US criticism after being charged in the US with conspiring to import cocaine into the country, has been retired.

Business Summary

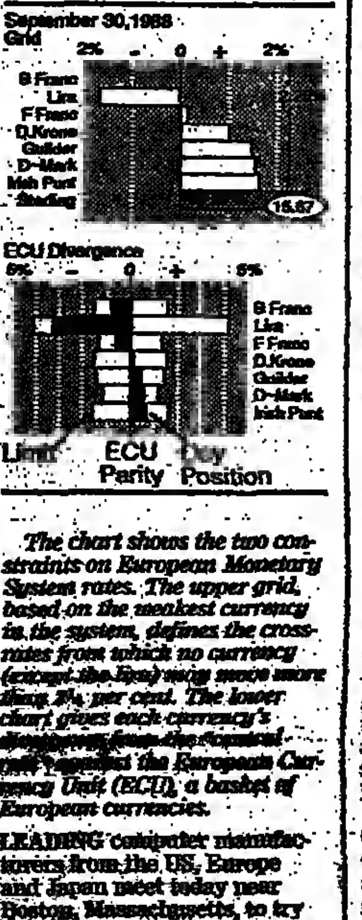
Gatt makes progress on key trade issues

BROAD consensus has been reached on several key trade issues among the 26 trade ministers meeting informally in Pakistan under the auspices of the General Agreement on Tariffs and Trade. But ministers pointed out that thornier subjects were still to come.

EUROPEAN Monetary System: Central bank intervention at the start of the week effectively capped the dollar's firmer trend, and EMS currencies traded for the rest of the week within a relatively narrow range.

The Italian lira was a little weaker overall, but the dollar's continued strength helped to suppress the West German D-Mark and to stall any build-up of pressure on the weaker currencies.

EMS



The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies.

LEADING computer manufacturers from the US, Europe and Japan meet today near Boston, Massachusetts, to try to end a battle over standards which has divided the data processing industry and left computer users confused and irritated. Page 8

EASTERN Airlines won a further legal victory in its fight against financial collapse with a federal appeals court ruling that it had the right to sack 4,000 employees. Page 27

NORANDA, part of Edward and Peter Bronfman's far-flung Canadian resource empire, plans to increase to 29.4 per cent its stake in Falconbridge, the world's second largest nickel producer. Page 27

ALITALIA, Italy's state airline, suffered a drop in net profits in the first half as a result of industrial disputes and airport congestion. Page 27

CAMPEAU Corporation, fast-growing Canadian property and retailing group, is to close five US department stores in a bid to stem losses at its Allied Stores unit. About 1,200 employees will be affected. Page 27

SHARES of Mitsubishi Bank, Japan's fourth largest, are to be listed on the London Stock Exchange from today. The move extends the trend set last year when Fuji Bank became the first Japanese bank to list its shares in London. Page 27

ITALIAN financier Carlo de Benedetti is returning to the forefront of France's increasingly active takeover scene by launching a bid this week for Epeda-Bertrand Faure, France's second largest car components group. Page 27

JAPANESE investment in the UK is threatened by the shortage of good local suppliers of components, according to a study published by an independent research body. Page 19

PURCHASERS with no experience in the savings and loan industry have taken on six insolvent Texas thrifts with total assets of $4.4bn. Federal regulators will give them $2.5bn of financial assistance, more than doubling their commitment so far this year to troubled thrifts in the state. Page 27

ROBERT MAXWELL, the British media chief, has acquired a stake of just under 5 per cent in Bouygues, the leading French construction and media group whose shares have been at the centre of hectic trading on the Paris bourse. Page 27

Gorbachev tightens reins, vows greater democracy

By Quentin Peel in Moscow

MR Mikhail Gorbachev completed a political coup at the weekend by assuming the ceremonial role of head of state, to complement his real power as leader of the Communist Party – and immediately announced his determination to promote a new popular democracy in the country.

At the same time he has served notice of his intention to become the country's first executive president when constitutional reforms come into effect next year.

His axe fell on Friday and Saturday, pensioning off a string of leading members of the Soviet old guard, replacing them with allies, and pushing sideways his main potential rivals in the party leadership. It has left him in unquestioned control of both party and government.

Yet he used his very first platform, as newly-elected president of the Supreme Soviet in place of the ageing Mr Andrei Gromyko, to issue an urgent appeal to revive popular control of elected Soviets from the level of towns and villages up to the republics and the union itself.

He gave his backing to the upsurge of popular movements and informal organisations – often outside the ranks of the ruling party – as an essential part of the new Socialist democracy.

"The role of the Soviets consists in untapping the maximum possibilities of popular initiative," he said. There should be "informal participation by the broad masses in deciding all issues, through the law of public elections, through mass organisations and movements... through any other forms which will be born in perestroika."

His plea amounts to little else than a call to counterbalance the highly centralised power of the ruling party, a power which he had just used with devastating effect to shake up his administration and neutralise opposition.

The emergency session of the Supreme Soviet on Saturday – summoned at only two days' notice – approved on the nod the decisions presented to it by the previous day's plenary meeting of the Communist Party central committee: Mr Gorbachov was elected president of the presidium in place of Mr Gromyko.

It was a predictable unanimous vote, followed by a standing ovation. Soviet television only showed a recording: Soviet citizens were glued to the Olympic football final.

By taking on the job of state President, Mr Gorbachev does not acquire any additional power – but he underlines both the importance he attaches to the elected Soviets, and his intention of keeping the job when it does assume executive powers next spring.

The constitutional reforms approved by the June Communist Party conference provide for the president to be elected by a new 2,250-member Congress of People's Deputies. The Congress will in turn choose a streamlined Supreme Soviet given far wider responsibility for discussing and amending government legislation.

The president will have the power to nominate a prime minister, chair the Defence Council, and represent the country abroad. By taking on the presidency now, Mr Gorbachev has made it clear to critics that he believes the two jobs – of party leader and executive president – should be combined.

ON OTHER PAGES

Mr Anatoly Lukyanov, chief architect of those constitutional reforms, and just elected a candidate member of the ruling Politburo at the Communist Party central committee meeting on Friday, was approved as the first deputy president. His will be the job of ensuring that Mr Gorbachev's monumental reform agenda gets approved by the assembly in time for elections next spring.

The other key change was the replacement of Gen Viktor Chebrikov, chairman of the KGB, the state security committee, by his deputy, General Vladimir Kryuchkov.

On Friday, the KGB chairman, regarded as a potential opponent to the pace of Mr Gorbachev's reforms, was promoted to become a central committee secretary responsible for legal reform. Although a key post, it will nonetheless remove him from his power base in the security service.

Mr Gorbachev's other potential rival, and effective number two, Mr Yegor Ligachev, was put in charge of agriculture at the central committee meeting on Friday. Although a key job in reviving the economy – the top priority – it takes him away from the ideology portfolio where he built his reputation as an opponent of excessive political reform, defending traditional Communist values and strict party control.

The Supreme Soviet completed the reshuffle by retiring one Deputy Prime Minister – 76-year-old Alexei Antonov – and demoting another: Mr Nikolai Talyzin, the former head of Gosplan, the state planning body, and hitherto First Deputy Prime Minister. He becomes simply a Deputy Prime Minister.

The one newcomer to the government is Ms Alexandra Biryukova, just appointed as a candidate member of the Politburo – the first woman in such a position since the early 1960s – who takes control of the drive to boost light industry and consumer goods production, with the rank of deputy premier.

The reshuffle does not indicate any big change in the Government's economic policy, but it does lift political constraints from Mr Gorbachev, as his immediate forthright endorsement of popular democracy suggests.

It coincided with an extraordinarily outspoken rally in the Baltic republic of Estonia at the weekend, demanding far greater devolution of power from Moscow. Mr Gorbachev appears to prepared to countenance, and even encourage, such demands, in spite of doubts among his colleagues.

GKN, Westland plan helicopter joint venture

By Andrew Hill in London

GKN, the British engineering and defence company, and Westland Group, the UK helicopter manufacturer, are poised to announce a joint venture which would exploit the country's increased emphasis on the battlefield use of helicopters.

The catalyst for the agreement will be GKN's purchase this week of a 7.97 per cent stake in Westland currently held by Fiat, the Italian automobile and aerospace engineering group. GKN is thought to be interested in building an even larger stake in Westland, without going as far as to bid for the UK helicopter maker.

GKN currently manufactures Warrior and Saxon personnel carriers, the sort of armoured vehicles which could be used on the battlefield alongside Westland's Lynx helicopter and the EH101, a joint venture between Westland and Agusta, the Italian state-owned helicopter manufacturer.

The GKN-Westland venture would strengthen Westland's position, which has been vulnerable to delays in major contracts, despite the boost from the record arms supply agreement recently signed by the UK and Saudi Arabia.

Westland's Lynx is on order for use by the new air mobile brigade, a division of the UK armed forces, operating troop carriers and helicopters, which should join Nato forces formally at the end of next year.

A second light attack helicopter also has to be chosen for the brigade. The Anglo-Italian EH101 is one option, although full production of the aircraft is not expected before about 1993. But the Government is also considering the larger AH-64 Apache model, designed by McDonnell Douglas of the US. However, even if the US helicopter were selected, it is likely some of the manufacturing would be carried out by Westland in the UK.

Fiat announced at the end of June that it was considering the sale of its ordinary and convertible preference shares in Westland, which it picked up in 1986 when Fiat and United Technologies Corporation of the US helped in the controversial £75m ($126m) rescue of the UK group, based in Yeovil, Somerset.

At the time, the political storm in the UK over the ownership of Westland led to the resignations of Mr Michael Heseltine as Defence Minister and Mr Leon Brittan from the Department of Trade and Industry.

Fiat's interest in Westland originally reflected its desire to buy Agusta from the Italian government, in an attempt to form a giant pan-European helicopter conglomerate, with Fiat as the major shareholder. The Italian group could not be reached for comment in Turin yesterday.

If its stake were completely converted into voting shares, Fiat would hold 14.69 per cent of Westland's fully-diluted share capital. UTC, Fiat's partner in the Westland rescue, holds an identical proportion of the UK group's equity and has first refusal on the shares.

Sale of the stake to the US group would give UTC a fully diluted holding of just under 30 per cent, the level at which a takeover bid must be launched.

Ripples spread across Eastern Europe

By Judy Dempsey in Sofia

THE SWEEPING personnel changes at senior level which appear to have consolidated the power of Mr Mikhail Gorbachev, the Soviet leader, have sent ripples across Eastern Europe.

The promotion of pro-reform Gorbachev supporters and downgrading of some key conservatives has given the old guard in Eastern Europe more to worry about than previous reshuffles; their former Soviet patrons and backers have been pushed aside by Gorbachev supporters.

Few tears will be shed by the liberal Soviet intellegentsia for Mr Petr Demichev, former conservative minister of culture; for Mr Mikhail Solomentsev, former chairman of the CPSU's party control committee; Mr Vladimir Dolgikh, former central committee secretary for heavy industry and for Mr Andrei Gromyko, the veteran former foreign minister.

But for some East European leaders it will mean that the link with the old regime has finally been broken.

For the Bulgarians, Czechoslovaks, East Germans and Romanians, the demotion of these officials and the shifting sideways of Mr Yegor Ligachev – bane of the liberals and legitimator of communist orthodoxy – will symbolise the end of the Brezhnev era.

In the words of one East European journalist, hard-line Communist leaders "must know the party is finally over."

Because Mr Gorbachev now appears to be firmly in control, some of his East European allies must be worried about their relationship with Moscow as well as their own political futures.

They include Mr Todor Zhivkov, the 76-year-old leader of Bulgaria and Eastern Europe's longest serving leader. He is likely to come under greater pressure, if not to resign, then certainly to promote younger and more politically flexible people.

Mr Zhivkov, who looked to the late Soviet leaders Leonid Brezhnev and Konstantin Chernenko for support, has often shied away from openly praising Mr Gorbachev's reforms.

The improbable official line in Sofia is that Bulgaria started introducing reforms back in 1956 – so that current events in the Soviet Union are nothing remarkable.

The Soviet leadership, aware of Bulgaria's incoherent and often hastily drawn-up economic measures, has already tried indirectly to exert pressure on Sofia. But this has not prevented the wily Mr Zhivkov from proceeding at his own pace, helped by the fact that there is little pressure from within the Bulgarian party for change.

The old "Chavdar" group, a coterie of Second World War communist partisans which has dominated the politburo
Continued on Page 24

Coffee producers reach accord on export quotas

By David Blackwell in London

WEARY DELEGATES to the International Coffee Organisation talks in London finally succeeded in hammering out a deal on export quotas in the early hours of yesterday – more than 24 hours after the negotiations were scheduled to close.

The agreed total global export quota – by which the ICO aims to stabilise world prices and supplies of coffee – is for 56m bags of 60kg each. It will take effect immediately, replacing the one which expired on Friday night.

The adjustments which will be made to the quotas as prices rise or fall have been designed to ensure more top quality arabica coffee reaches the market – the main aim of the consumer countries during the negotiations.

Prices on the world coffee markets are expected to move higher today. Market optimism about the outcome of the talks, which started on September 19, has already helped to drive up prices in London and New York. At the close on Friday the three-month contract for robusta coffee was up £73 on the week at £1,203 a tonne on the London Futures and Options Exchange.

Brazil and Colombia, the two
Continued on Page 24

Pakistan court backs Bhutto

By Christina Lamb in Islamabad

PAKISTAN appears poised for a return to full democracy after a decision by the country's Supreme Court yesterday to allow the first party-based elections in more than 11 years on November 16.

The Supreme Court ruled in favour of a petition by Ms Benazir Bhutto, the leading opposition figure, whose chances of being returned to power have been given a significant boost although she is is unlikely to get the sweeping majority that her party activists are predicting.

The Supreme Court also decided to allow national party symbols, regarded as crucial in a country with one of the world's lowest literacy rates.

The decision is a landmark in Pakistan's return to democracy after after 11 years of rule by President Mohammad Zia ul-Haq, eight of them under martial law. President Zia, who died in a mysterious air crash last August, deposed Ms Bhutto's father, Prime Minister Zulfikar Ali Bhutto, in a 1977 military coup. Bhutto was hanged two years later.

President Zia, in announcing the November elections, had said these would be conducted on a non-party basis (although parties would be allowed to back individual candidates) and the use of party symbols would be prohibited.

Mr Jume Aziz Munshi, Pakistan's Attorney General, told the Supreme Court earlier that the caretaker government under caretaker President Gulam Ishaq Khan agreed to party based elections but opposed Ms Bhutto's demand for party symbols.

The judgment said political parties were entitled to use only one of 81 proscribed symbols. The sword on which Ms Bhutto's Pakistan People's Party (PPP) campaigned in 1970 and 1977 was dropped from this list by a presidential ordinance in 1985. The PPP will now appeal to the Electoral Commission for the sword to be returned to the list.

Benazir's mother, Mrs Nusrat Bhutto, co-leader of the PPP and Mr Bhutto's widow said: "If the sword is allotted symbol of our party we will easily sweep the polls." The court's decision was reached in six hours, the government only opposing the use of symbols.

But the Government is not challenging the ruling. Ishaq Khan hinted within days after taking office that he favoured free and fair elections. "We accept entirely what the Supreme Court says," Justice and Parliamentary Affairs Minister Wasim Sajjad later told a news conference.

"We are happy," Ms Bhutto told The Associated Press from her Karachi residence, where she was resting after the birth of her first child earlier this month. "Pakistan today has a real chance of moving towards national unity."

The caretaker Cabinet also announced a list of reforms to the election laws in an effort to combat cheating and streamline the electoral process.

The PPP is trying to reach agreement on allocation of seats with its much smaller partners in the Movement for the Restoration of Democracy, a nine-party umbrella alliance.
Sind violence, Page 3

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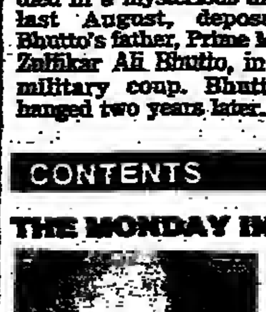
THE MONDAY INTERVIEW



Quayle raises profile by differing with Bush

By Stewart Fleming in Washington

SENATOR Dan Quayle, Republican Party candidate for the US vice-presidency, has taken issue with his running-mate over what strategy the US should have towards Moscow in the next round of arms negotiations.

Mr Quayle said yesterday, in a New York Times interview, that agreement on cutting the superpowers' long-range strategic missiles by about half should be linked to Soviet concessions on conventional arms reductions. The Reagan administration had rejected this stance, on the grounds that it would retard progress to a strategic arms agreement, so the senator's remarks put him at variance with Vice-President George Bush, the Republicans' presidential candidate for the election next month.

The decision by Mr Quayle to give the newspaper a rare opportunity to interview him on a major policy issue came as he and his opposite number on the Democratic Party ticket, Senator Lloyd Bentsen, are preparing for their national televised debate on Wednesday.

Mr Quayle appears to be adopting a tactic similar to one Mr Bush has used, the latter having this year distanced himself from President Ronald Reagan on certain issues in order to enhance his stature.

The choice of the inexperienced 41-year-old Indiana Senator as a vice-presidential candidate is a source of concern to many voters, who worry about having Mr Quayle a heartbeat away from the presidency.

However, there are signs that the Bush campaign is hoping that low expectations of Mr Quayle will help him improve his image in the debate. A recent Times-Mirror poll shows that fewer voters (34 per cent) think Mr Quayle is qualified to be president now than at the time of his selection in August (41 per cent).

A hint of the tactics the Republican Party might use to enhance Mr Quayle's standing was provided on Saturday by Mr James Baker, Mr Bush's presidential campaign chairman. He suggested thet Mr Bentsen, a conservative Democratis senator from Texas, shares many of the same positions as Mr Bush and Mr Quayle. "The odd man out is the top of the Democratic ticket, Governor Dukakis," he said.

The vice-presidential debate will tend to keep the focus of attention from Mr Dukakis and Mr Bush for another week, to the contentment of the Bush campaign.

Last week, the combination of the Olympic Games and the launch of the space shuttle quickly displaced speculation about who won the nationally televised debate on Sunday between the two men as the focus of news reports. Mr Dukakis is widely perceived to have performed well, and to have enhanced his standing by his articulate statement of his positions during the debate, but polls suggest that this has not changed many voters' minds.

A new Gallup poll still gives Mr Bush a slight lead of about five percentage points, compared with seven before the debate.

Chilean opposition fears rigging of plebiscite result

By Barbara Durr in Santiago

CHILE's main opposition parties fear that the October 5 plebiscite could be rigged and that the Government will refuse to recognise a majority "no" vote against President Augusto Pinochet.

In a statement published yesterday, the 16 parties of the "Command for the No" called on the armed forces to accept the country's choice. They are confident of an opposition victory.

Continuing division among the four-man ruling junta now centres precisely on a true count of the votes. Late last week, top members of the armed forces attempted to persuade Gen Pinochet to call off the plebiscite and hold free elections within 90 days instead. Gen Pinochet has remained unconvinced and dissenting junta members and other top military men share the fears of the opposition that the election results could be rigged.

The official counting process is in the hands of the Interior Ministry. The opposition will also have a parallel count gathered from its own poll watchers around the country. Both sides will use their own computers to announce preliminary results on the night of October 5. Final official results, which are to be announced by the Qualifying Elections Tribunal, are not expected for at least another 30 days after the vote.

Dissenting sectors of the armed forces and the opposition worry that there could be serious street disturbances while the final election results are tallied. The Command for the No has urged the public to stay calm and not be provoked. It also called public attention to the possibility of a government attempt to create a situation on voting day that would invalidate the election.

Canadian PM calls poll for November 21

By David Owen in Toronto

CANADA is to go to the polls on November 21, in a campaign which will be dominated by the prime minister's still unratified free trade agreement with the US.

The pact's fate appears to rest with the ruling Conservative Party's ability to secure a second consecutive majority government – a feat they last managed in 1882. If no party wins a majority, the opposition Liberals and the left-of-centre New Democratic Party (NDP) would probably combine to kill the agreement.

At dissolution, the Conservatives were firmly in command of the House of Commons with 203 MPs, against 38 Liberals, 32 New Democrats, four independents and five vacancies.

In making the election announcement, Mr Brian Mulroney, Prime Minister, invited voters to judge the government on its record.

The Conservatives have presided over a period of sustained growth in the Canadian economy. This is expected to be a main plank of their campaign, with the Meech Lake accord – which promises to bring French-speaking Quebec into the federal constitution for the first time – and the Government's commitment to a 15-year defence build-up.

Mr John Turner, the Liberal leader, was immediately on the rhetorical offensive: "This is more than an election – this is your future."

His future as leader of his deeply indebted party will be very much on the line in the campaign. Since he lost the 1984 election, Mr Turner has twice survived attempts to oust him.

The Liberals 40-point election platform opposes the free trade agreement, advocates the introduction of tax relief on mortgages, various social justice programmes and a new national holiday in February.

Mr Ed Broadbent the NDP leader, stressed "fairness" in his first campaign address. "The election is about fairness in taxes, in housing, in job opportunities," he said.

An opinion poll last week gave the Conservatives, on 40 per cent support, a nine-point lead over the NDP. The Liberals were third with 26 per cent.

Commission to propose lower support price for beef and big intervention cut

By Tim Dickson in Brussels

LOWER SUPPORT prices for beef and a drastic cut in the quantity of meat which the European Community will guarantee to purchase from farmers are among controversial new proposals which the European Commission is set to announce this week.

The package of measures, which includes abolishing the so-called "variable premium" subsidy so dear to British producers, provides a timely reminder that the much-heralded reforms of the Common Agricultural Policy negotiated at the emergency EC summit in February are far from complete.

The reaction from farm ministers, moreover, is likely to give an indication of the strength of the EC's commitment to further farm cutbacks ahead of the December mid-term review of the current round of multilateral trade talks in the General Agreement on Tariffs and Trade, and may well test the Commission's resolve to administer unpalatable new farm medicine in the absence of serious budgetary constraints.

The problems of the beef regime are probably Brussels' number one farm headache at present. The surpluses in the sector were first tackled by the EC Farm Council under the chairmanship of Mr Michael Jopling in December 1986 when guaranteed prices were cut by 13 per cent and other efforts were made to make farmers more responsive to the market.

The reasons why these actions failed to make a major impact are still the subject of much debate in the Commission but any chance they might have had of working was ruined by the simultaneous tightening of milk quotas. The widespread slaughtering of dairy herds to keep milk production within the strict production ceilings is a major factor why the EC's "mountain" of unwanted beef is today around 750,000 tonnes, compared with less than 600,000 tonnes at the end of 1986.

Beef was never seriously discussed in the negotiations which led up to the famed price cuts and quantity restrictions bundled together in this year's much trumpeted "stabiliser" package. A modest attempt was made to tighten up the system in the recent 1988/89 farm price talks but the Commission's plan has always been to launch a determined assault on the sector in the last part of this year.

Some details of the package have not yet been finalised but it is understood that there will be four main measures:

● The level of market prices which trigger "intervention" (i.e. guaranteed EC buying) would be lowered in an effort to diminish the importance of the system.

● A tendering system would be introduced forcing farmers to "bid" for purchases. Only the lowest prices would be accepted.

● An annual limit of 200,000 tonnes of beef would be placed on EC intervention buying. In recent years up to 400,000 new tonnes annually have been piling up in Community stores.

● The variable slaughter premium – a payment only made to British farmers – would be abolished. A premium for suckler cows and specialist beef herds would be increased.

SHIPPING REPORT

Tanker market boosted by high Mideast output

By Kevin Brown, Transport Correspondent

RATES rose again in the tanker market last week as demand for tonnage increased on the back of high Middle East oil output and falling prices.

Brokers said the going rate for a VLCC to the West rose by around three points. The highest reported fixture was a Norwegian-controlled ship of 300,000 tons at Worldscale 48.

There was also significantly increased demand for ultra large crude carriers, and the Saudi government agency was reported to have fixed up to five ULCCs for liftings this week. However, no fixtures were reported for ships in the 1m barrels class, and only one 80,000 tons vessel was fixed – for discharge in Singapore at Worldscale 80.

Brokers reported a surge of business out of West Africa, where a cargo of 123,000 tons to the US was fixed at Worldscale 70, an increase of 7.5 points over the previous week.

There was plenty of demand for the smaller ships in the Mediterranean, however. Vessels of 80,000 tons were being fixed at around Worldscale 85 to northwest Europe, with a premium of up to 7.5 points to southern Europe.

In the dry cargo markets, spot levels remained more or less steady, and the key US Gulf to Japan grain rate stuck at $21.

● Last week's report wrongly attributed comments to Galbraith's suggesting that tanker market rates were weakening. In fact, Galbraith's reported that rates were improving in a rising market.

Biggest political rally in 15 years urges 'No' vote

By Mary Helen Spooner in Santiago

HUNDREDS of thousands of Chileans gathered for a final opposition rally on Saturday in Santiago in support of a No vote against General Augusto Pinochet in Wednesday's presidential plebiscite.

The rally was the largest political gathering in 15 years of military government and began last week as a "march of joy" from provincial cities in southern and northern Chile, culminating along the Panamerican highway in Santiago.

Rally organisers, who estimated the crowd at 1.2m people, made a careful show of unity among the diverse political figures backing the No campaign. The daughters of the late Socialist President Salvador Allende and the late Christian Democratic President Eduardo Frei, whose fathers were long-standing rivals, appeared on stage together.

Pro-Government forces organised a horn-honking caravan of cars, buses and trucks which filled the streets of Santiago yesterday as its final campaign effort. Both opposition groups and government supporters broadcast their last 15-minute propaganda programmes on television on Saturday, though both sides continued to place campaign advertisements in the press and on radio stations.

A power cut blacked out Santiago and other cities along a 1,000-mile stretch of territory on Saturday night. Previous cuts have been attributed to bomb explosions by the Manuel Rodriguez Patriotic Front, a small left-wing guerrilla group which two years ago attempted to assassinate Gen Pinochet.

FINANCIAL TIMES

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OVERSEAS NEWS

US and EC seek common rules on semiconductors

By Louise Kehoe in San Francisco

LEADERS of the US and European semiconductor industries have agreed to develop a common set of rules governing trading in chips and to seek the adoption of "complementary government policy" towards semiconductor trade in the US and EC.

The alliance was announced after a meeting of about 20 industry executives representing US and European semiconductor producers in Santa Clara, California, on Friday.

The long-term goal, according to some participants, is to seek a trilateral semiconductor trade agreement with Japan. In the meantime, however, the US and European industrialists plan regular talks aimed at developing a common approach.

Talks between the two sides follow sharp differences caused by the US-Japanese semiconductor trade agreement two years ago, under which the US Commerce Department sets "Fair Market Values" (FMVs) for Japanese exports of memory chips. This accord has been frequently blamed for the current shortage and high prices of memory semiconductors.

Among the issues on which the US and European industries may consult and co-operate in future are:

- The form of the anti-dumping agreement that will replace the present FMV system. US semiconductor manufacturers have recently decided to seek a review of the pact under pressure from chip purchasers, who have been forced to cut production in some cases because of the memory shortages.
- Access for foreign manufacturers of semiconductors to the Japanese market. This has been a contentious issue in both the US and Western Europe. Japanese companies are now the largest consumers of chips in the world, but few foreign companies have more than a foothold in the market.
- The question of Europe's 14 per cent semiconductor import tariffs. In principle, at least, both sides appear to agree that the tariffs should be removed.
- The possibility of reciprocal involvement by US and European semiconductor manufacturers in co-operative research. This includes projects such as Sematech, semiconductor manufacturing technology development backed by the US government, and Jessi – the European initiative aimed at creating similar production skills for the next generation of chips.

Cain claims win for Labor in Victoria

MR JOHN CAIN, Victoria's premier, claimed a narrow victory for the Australian state's ruling Labor party after yesterday's elections but the opposition refused to concede defeat, Reuter reports from Melbourne.

Mr Cain claimed victory, which would give him an unprecedented third term at the helm of Australia's second most populous state, with 80 per cent of the votes counted.

Mr Jeff Kennett, the leader of the Liberal opposition, said the result of five marginal seats was still in doubt and could be decided by the large number of postal votes still outstanding. "The result could still go either way," he said.

The state government conceded defeat in one of 47 seats held in the outgoing 88-seat state assembly. It did not rule out the possibility of losing a further two and only has 40 confirmed wins so far.

The Liberals had 31 seats and the National party 10 in the old house.

Political analysts said Victoria was vital to the country's federal Labor government following a crushing defeat in New South Wales, the country's most populous state, in March.

Sind's ethnic problems explode into violence

Christina Lamb on an area of Pakistan where curfew has become a way of life

IN the early 1970s Pakistan's then Prime Minister, Zulfikar Ali Bhutto, dreamed of turning Karachi, the country's biggest city, into another Beirut: a playground for rich businessmen where large deals would be struck by day, and large money spent by night. He even built a seafront casino.

Today that casino stands unused, the rotting baize tables, a victim of an Islamisation campaign which forbade alcohol and most forms of entertainment. Karachi is another Beirut, but not the jet-set playground Bhutto spoke of. Rather it is a city torn apart by ethnic violence, in a province that has become so alienated from the rest of Pakistan that some analysts say its only option is to break away.

Today's Karachi symbolises the hypocrisy of Pakistan. Glittering parties take place illegally in marble imitations of the White House, while in nearby ghettos people live like animals, with no water, electricity or sewerage system.

Safely inside their marble palaces, many residents no longer notice the newspaper reports of killings, kidnappings and university examination rooms being turned into battlefields. After all, if one took them seriously it would seem that Karachi had become a den of warlords possessing far greater firepower than the police, who usually turn a blind eye for a bribe, can hope to counter.

In many poor areas curfew has become a way of life. The persistent armed conflict is aggravated by the gross mismanagement of the municipal authorities, unable to supply water and power often for weeks at a time, while the transport system has totally collapsed. Many of those in the marble palaces are unaware of problems, having their own generators, cars and even tubewells. What they cannot ignore is the gaudy graffiti on every corner, depicting axes and saying "Mohajir power, Superpower". Posters show young men waving Kalashnikovs, emblazoned "Rights or death".

Karachi and Hyderabad, the two southern towns which experienced Pakistan's worst massacre this weekend in which 186 people were murdered in cold blood and a further 65 died in rioting and shooting incidents, are the main strongholds of the Mohajirs, a largely middle-class community of Urdu speaking Moslems who migrated from India after partition in 1947. These towns have become unwilling focal points of a four cornered struggle between Mohajirs, Punjabis, Pathans, and Sindhis. It is a struggle that many opposition parties believe the late President Zia deliberately provoked to justify a military budget of 33 per cent of GNP, and to keep himself in power through the old British device of divide and rule.

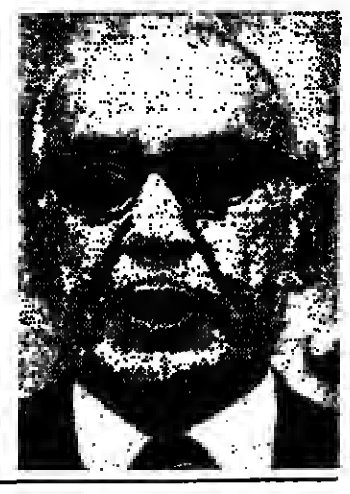
Sind's problems began when after partition Mohajirs flooded into the larger towns of Sind, mainly Karachi and Hyderabad, replacing the predominantly Hindu population which had migrated to India and filling the gap left in the professional and administrative sectors. This new, rapidly middle class urban population stayed isolated from its Sindhi hosts.

The next wave of migrants were Pathans looking for jobs and Punjabis, retired army officers given lucrative plots or jobs heading national concerns, and bureaucrats taking over the administration on the basis of a new law which allocated jobs on the basis of population. Punjabis making up 64 per cent of Pakistan's 104m population dominate every sector.

After Bhutto as first Sindhi Prime Minister had given nothing but promises, failing to secure any concrete autonomy for Sind, the polarisation between Karachi and the centre and Sind and Punjab was crystallised during Zia's martial law regime. When national politics was driven underground, a new politics emerged of student violence focusing on local or ethnic problems. Overnight a new party emerged demanding recognition of Mohajirs as a fifth nationality.

In response to this Mohajir militancy ethnic groups sprang up, claiming to represent Sindhis, Pathans and Punjabis. The flow of sophisticated arms from Afghanistan meant street-fights turned into bloodbaths. Initially most of the fighting was directed against Pathans who control the transport and therefore the drugs and arms smuggling from the north-west frontier. Drug barons ran their own armies as protection. Sind became a hotbed of ethnic violence.

PAKISTAN'S President Ghulam Ishaq Khan, right, has flown to Karachi to inspect the area after violence in southern Pakistan in which more than 250 people have died.



The trouble began on Friday evening when a group of masked gunmen occupied strategic positions in the town of Hyderabad and opened fire indiscriminately on shoppers, cinema goers and people leaving mosques.

In the massacre 186 people were killed and 250 injured. Troops were sent in to impose curfew, leaving many of the victims stranded in the streets which one resident described as having "turned scarlet with blood". The town ran out of coffins while urgent appeals for blood are still being broadcast from mosques.

When the news reached Karachi, mobs took to the streets, burning cars and houses and looting shops in ethnic riots in which a further 65 people died. According to police and eyewitnesses, masked gunmen sprayed bullets at random. More than a third of Karachi, Pakistan's biggest city, is still under curfew. Residents describe Pakistan's main commercial centre as "like a ghost town. No-one dares leave their homes."

Koreans succumb to Moscow's charm

By Maggie Ford in Seoul

FEW could have imagined it. As the Olympics drew to a close, at event after event, Korean audiences were cheering for Soviet athletes, not to mention Hungarians, Czechoslovakians, East Germans and Romanians. As the Games progressed the applause for the Eastern bloc tended to become even more deafening if the free world's superpower was competing.

For a country which for 40 years has been taught to hate the communist "Evil Empire" and to feel grateful for US military protection, the Games have been a revelation. Latent anti-Americanism, always simmering in some quarters for domestic political and historical reasons, has shown itself more obviously outside the Olympic stadia in marches and demonstrations. At the same time the eyes of a poorly informed, propagandised population have been opened to the brighter aspects of the communist nations.

Moscow started its highly successful "charm offensive" with the despatch of the Bolshoi Ballet and the Moscow Philharmonic Orchestra to the Olympic Arts festival.

Starved of high quality Western drama, music and dance, South Koreans flocked to the festival which also featured the La Scala opera company from Italy, the Comédie Française, the London Festival Orchestra and the London Contemporary Dance Theatre. By comparison, the US contribution of the Washington Ballet seemed lightweight.

From the start the Soviet sportsmen and women were busy showing their human side. Famous Russian gymnast Nelli Kim, herself of Korean ancestry, was pictured making friends with a local girl, formerly a gymnast but now disabled. A number of Russian delegates who are ethnically Korean had emotional reunions with relatives they had not seen for decades. Local Korean musicians and singers were included in Soviet musical performances in the provinces.

The Soviet team managed to avoid scandal, with no disputed decisions or doping bans. As for the rest of the Eastern bloc, the Bulgarian weightlifters, the worst offenders in a Games plagued by drugs, were swiftly spirited out of town.

The Olympic Games had been expected to allow South Korea to show off its achievements on the world stage. But for the "hermit kingdom", whose people until this year were not allowed to travel, and whose access to information, literature and the arts was censored for political reasons, the experience has been the reverse. The world has been on the stage and they have been the spectators.

After the hysteria has died down, the result should be a far more balanced picture of the world. Already South Koreans are keen to see more of what Western Europe has to offer, having seen its cultural achievements and realised that a European may be a different kind of foreigner from an American.

THE US and Soviet Union yesterday declared a joint war on doping and said top athletes Edwin Moses and Sergei Bubka would join a drugs summit to clean up sport, Reuter reports.

At the end of an Olympic Games tainted by the disqualification of Canada's Ben Johnson, the National Olympic Committee presidents of the two countries said confidence had to be restored. They said their aim was to swap drug testing teams and laboratory data, conduct joint research, alert athletes to the dangers of drugs and agree on standard penalties.

'Watergate' row in Israel

By Andrew Whitley in Jerusalem

THE slow-burning Israeli election campaign burst into life at the weekend, with the right-wing Likud party accusing its main rival, the Labour Alignment, of mounting a Watergate-style spying operation against it.

Labour acknowledges having engaged the services of two former senior intelligence officers but it says the two men, Mr Peleg Radai and Mr Rafi Malka, are only advising the party on safeguarding its own activities and information.

A Likud spokesman claimed that confidential details of the party's promotional blitz planned for the run-up to the November 1 poll had reached Labour hands. "There are various signs that testify to the possibility of an Israeli Watergate affair on the part of Labour," said Mr Danny Naveh.

The traditional mud-slinging of an Israeli political campaign has been held in check until now by the long Jewish holidays which end tonight.

OVERSEAS NEWS

Serbian leader's position bolstered

By Aleksandar Lebl in Belgrade

MR SLOBODAN Milosevic, leader of the Communist party in Serbia and the hero of a burgeoning Serbian nationalist movement, has reinforced his position with the apparent endorsement of his ethnic demands by federal leaders, and the subsequent resignation of another top party official.

But the organisers of s series of vast popular rallies, called to bolster Serbian demands for more power over two autonomous provinces, have given no indication that they are willing to suspend demonstrations.

There were fresh protest meetings in several towns on Saturday.

Mr Bosko Krunic from Vojvodina, one of the provinces whose status is in question, stepped down from the Communist Party's 14-man presidium, citing his "partial responsibility" for failing to resolve Yugoslavia's acute problems.

His resignation was apparently linked to a pronouncement by the praesidium on Friday that Serbian demands were "consistent with the last party congress."

Serbian leaders want increased power over both Vojvodina and Kosovo, a southern province where Serbs accuse the ethnic Albanian majority of practising discrimination. The presidium called on the leaders of Serbia, Kosovo and Vojvodina to make urgent efforts to agree on constitutional changes.

The resistance of Vojvodina politicians to demands for a more centralized Serbia has enraged the demonstrators, and Mr Krunic was one of many politicians whose downfall they have demanded.

Earlier last week another member of the praesidium, Mr Franc Setinc from Slovenia, stepped down, and there has been speculation that a meeting of the federal party's central commitee in two weeks' time will lead to more personnel changes.

It remains unclear whether the Serbian protest movement will carry out its threat to make an unprecedented show of strength by staging a huge rally in Belgrade, which is capital of the Serbian republic as well as Yugoslavia.

● A team of experts from the International Monetary Fund will today hold talks with Yugoslav officials about Belgrade's appeal for an easing in the terms of the country's IMF-sponsored recovery programme.

KGB poacher turns gamekeeper

By Quentin Peel in Moscow

THE APPOINTMENT of Mr Viktor Chebrikov, hitherto chairman of the Soviet State Security Committee (KGB), to oversee the reform of the Soviet legal and judicial system, produced a hollow laugh when announced at an international news conference on Friday.

Of all the appointments made by Mr Mikhail Gorbachev in his big revision of the top Soviet echelon, this might well be the most curious.

Scepticism about the capacity of Mr Chebrikov, widely regarded as one of the most conservative members of the Politburo, to oversee the creation of a "Socialist state based on law", is only natural. He had been head of the feared security police since December, 1982. The KGB, by definition, operates beyond the letter of the law.

Yet the re-ordering of a series of key posts in the Soviet hierarchy suggests that the role of the KGB is being trimmed, or at least re-defined, in Mr Gorbachev's new structure.

Col-Gen Vladimir Kryuchkov, the new head of the organisation, is neither a full member, nor a candidate member, of the ruling Politburo. Instead, the security services are represented now in that body by the uniformed branch in that Mr Gorbachev has promoted his close political ally, Col-General Alexander Vlasov, Interior Minister, to candidate membership.

Moreover, Gen Kryuchkov comes from the external branch of the KGB – the First Chief Directorate – responsible for foreign operations and intelligence gathering rather than the control of internal political dissent.

He was a very close associate of Mr Yuri Andropov, the late Soviet leader and KGB chief who prepared the way for Mr Gorbachev's reforms. Gen Kryuchkov was a third secretary in the Budapest embassy, when Mr Andropov was ambassador during the Hungarian uprising of 1956, moved with him back to the Soviet party's central committee in 1959, and again with him to the KGB in 1967.

Although 21 years in the KGB high command do not suggest that he will willingly conspire to reduce its influence, he seems certain to be more concerned with external than with internal security.

The promotion of Gen Vlasov brings another close Gorbachev ally into the top flight – he was a party official in the Soviet leader's home base of the northern Caucasus. It also gives a restored profile to the uniformed branch of the police, discredited after years of corruption during the Brezhnev era.

If Mr Gorbachev is genuine in his determination to restore the rule of law, and prevent officials – of the government, the party or the KGB – acting outside the law, then the Interior Ministry should rank above the shadowy KGB.

Several recent indicators – albeit marginal ones – have suggested that the KGB recognises its own limitations. Mr Chebrikov said last month there should be more glasnost (openness) in the organisation, although "100 per cent glasnost is absurd."

A major article in Kommunist, theoretical journal of the Communist Party central committee, by Mr Vladimir Rubanov, head of department in the KGB research institute, argued that openness ought to be the rule, not the exception.

The security service has admitted to having ordered the falsification of all maps of the Soviet Union, a practice which it says is to be discontinued. The border zone restrictions have been lifted in the Soviet Far East – special limitations by the KGB on access and movement for Soviet citizens – in a move said to be the forerunner of further liberalisation in border areas.

As for Mr Chebrikov, he has relinquished his KGB post, albeit for a more senior position as a full secretary of the central committee. Mr Andropov made the same move on his way to the top so it cannot be seen as demotion. Even so, it means Mr Chebrikov no longer has immediate call on the resources of the KGB in any attempt to slow reform. Moreover, he is taking over a portfolio with a specific mandate: to ensure the future rule of law, and the independence of the judiciary. As poacher turned gamekeeper, he should know the ways in which both have been subverted.

The first test of the changes will come when the proposals for a new judicial system and a new penal code are published in the coming month. They will have been finalised and approved by Mr Chebrikov's commission.

It will take much longer to see whether the balance of power between the security services is to shift in favour of the overt uniformed branch and away from the covert operators.

Estonians call for national autonomy

A LEADER of the Estonian Artists' Union made an impassioned plea for self-determination for the Soviet Baltic republic yesterday, at the founding congress of the Estonian Popular Front, Reuter reports from Talinn.

The congress, due to end late yesterday, was called to elect officials for the Popular Front, which claims up to 300,000 members since it was formed in April. It will also adopt a programme calling, in essence, for greater political, economic and cultural autonomy from Moscow.

The Estonian Communist Party, partly as a result of the front's influence, has gone further than most other parts of the Soviet Union in implementing the Kremlin's reform programme. "The people in the Kremlin must hear what our nation believes," said Mr Heinz Valk as 3,000 delegates at the officially authorised congress rose to their feet, clapping and waving clenched fists.

"Who said nations do not have the freedom in their own hands but instead must ask for it humbly?" Mr Valk asked. "We cannot wait long for self-determination."

His words were dramatic even by the standards of the two-day congress, which has clearly demonstrated the wind of change and resurgence of national feeling in Estonia, an independent state before its annexation by the Soviet Union in 1940.

Other speakers, taking heart from changes at the weekend in the Kremlin, seen as strengthening the impetus for reform, demanded protection for Estonian culture and language, greater religious freedom and a civilian alternative to military service.

Mr Vaino Valyas, Estonian Communist Party leader, addressed the congress yesterday, but representatives of similar movements elsewhere in the Soviet Union complained they were still harassed by party authorities. Delegates from the Soviet republics of Latvia, Lithuania, Moldavia and Byelorussia – and the cities of Moscow, Leningrad and Odessa – said that their work was still difficult. Local media, apparently acting under orders from the Communist Party, did not print information about their meetings and their members often lost their jobs, delegates said.

"The atmosphere in Lithuania is very edgy," said Mr Romandos Urzulas, a leading member of the Lithuanian Popular Front. "Force is being applied against us."

The Lithuanian group, claiming about 100,000 supporters, has organised protests against the Ignalina nuclear power station, considered unsafe by local experts long before a recent fire broke out there.

Mr Urzulas said that a rally by the movement was broken up by the authorities on September 28 and eight people were arrested. They were released after pressure from the local front.

Satellite ejects nuclear reactor to safety before re-entry

By Peter Marsh in London

THE NUCLEAR heart of the Soviet satellite Cosmos-1900 is orbiting the Earth about 700km above the surface where it will stay for the next few hundred years, much to the relief of emergency planners around the world.

The space vehicle, which was used for military surveillance and went out of control in the spring, had been causing global consternation until late on Friday because of its impending re-entry to the atmosphere. The concern had concentrated on the craft's one-tonne nuclear reactor, used to provide power for the satellite's sensors.

Emergency forces had drawn up plans on how to contain the substantial damage that would have been caused by the break-up of the reactor above inhabited parts of the world and the subsequent scattering of radioactive debris.

In the event, the four-tonne spacecraft spiralled into the atmosphere on Saturday, most of it burning up over the Atlantic.

The reactor was separated only hours before by an automatic mechanism that lifted it from the satellite's orbit about 180km above the Earth into one 700km high.

According to space experts, late on Friday night, Cosmos-1900 ran out of the fuel needed to keep it in the correct orientation. The vehicle started to sway, a movement which triggered a pre-set ejection of the reactor.

Greetings pour in for Soviet President

MR MIKHAIL GORBACHEV, the Soviet leader, has received congratulations from western and eastern bloc governments on his appointment to the post of Soviet President on Saturday, Reuter reports.

Mrs Margaret Thatcher, UK Prime Minister, said in a message to Moscow that she hoped Mr Gorbachev's new title, with other changes he has made in his administration, will give impetus to the reforms the Soviet leader is trying to implement.

President Francesco Cossiga of Italy said he was confident that Mr Gorbachev's appointment would give a new thrust to world peace and co-operation.

The prime minister's office in Rome announced that Mr Ciriaco de Mita, the premier, will make an official visit to the Soviet Union from October 13-16. His trip will be the first to the Soviet Union by an Italian prime minister since Mr Bettino Craxi went to Moscow in May 1985.

President Chaim Herzog of Israel sent a telegram to congratulate Mr Gorbachev and urged him to move to restore relations with Israel, which were severed by Moscow over the 1967 Middle East war.

Mr Gorbachev's appointment was also welcomed by eastern bloc states.

Mr Erich Honecker, the East German leader, effusively congratulated Mr Gorbachev: "In you, the Supreme Soviet has elected to the highest office an outstanding Marxist-Leninist and an internationally esteemed statesman."

President Gustav Husak of Czechoslovakia and Mr Milos Jakes, the Communist Party chief, praised Gorbachev's leadership in a telegram to Moscow and said his election would enhance the current Soviet programme of reforms.

Mr Todor Zhivkov, the Bulgarian leader, sent a telegram to urge continued co-operation and restructuring in both countries.

Mr Karoly Grosz, the Hungarian leader who has introduced widespread political and social reforms since his election in May, wished in his telegram for "further success in the consistent continuation of transformation and democratisation."

President Nicolae Ceausescu of Romania, who has not followed Mr Gorbachev's reform programme but says he has introduced his own economic and political changes, sent a telegram to emphasise the importance of cordial Soviet-Romanian relations.

Tibet simmers quietly as key anniversaries pass

Peking's policy is a mix of political conciliation and tough police tactics, reports Colina MacDougall

TENSION hangs over the streets of Lhasa, the capital of Tibet, which is in the middle of a series of crucial anniversaries. Chinese and Tibetans alike are grimly recalling the days of unrest a year ago which led to the destruction of a police station and at least six deaths. In Peking, the leadership attempted to defuse the discontent by announcing last Thursday an allegedly independent new commission to run Tibetan Buddhism.

To be headed by the Panchen Lama, a spiritual leader second only to the exiled Tibetan god-king, the Dalai Lama, this will "guide" Tibetans in religious matters and be free of interference from government officials. In his statement announcing the move, the Panchen, who lives in China, attempted to pour further oil on troubled waters by claiming a close relationship with the Dalai.

But on the ground, the Chinese are getting tougher. Some 200 Chinese police armed with staves, shields and steel helmets sealed off the centre of Lhasa on Saturday, China's national day.

This week brings another important date. October 7 marks the 38th anniversary of the Chinese invasion of Tibet. A curfew has been imposed on foreign visitors. Police are patrolling the streets around Tibet's holiest shrine, the Jokhang temple.

Last Tuesday, first anniversary of the arrest of monks demonstrating for Tibetan independence, security men closed off the town's main square. About 20 Chinese and Tibetan prisoners were driven round Lhasa last Monday to a public trial in the square.

Feelings have been running high. Posters calling for Tibetan independence are regularly put up in the Barkhor avenue outside the Jokhang, and as regularly removed by police. At Ganden, a mountain monastery outside Lhasa, an English-language sign reads "Chinese Go Home."

The Tibet Information Office in Delhi said that an armed propaganda squad had arrived in Lhasa from Peking on September 3 to expel from the monasteries monks and nuns suspected of participating in the anti-China protests last year. The statement confirmed that a demonstration had been planned for October 1, but that China had warned that Tibetans would face death if this went ahead.

Last year's riots were initially sparked by the execution of two Tibetan nationalists, on the charge that they were ordinary criminals. Anti-Chinese feeling since then has been inflamed by the repression which followed.

The riots in March this year, when a prayer festival intended by the Chinese to demonstrate freedom of religion turned into a pro-independence protest still more violent than last October's, caused at least eight deaths and perhaps many more.

The harsh Chinese clampdown since, accompanied, according to foreign visitors, by the abduction and torture or killing of suspects, has reduced Tibet to simmering silence. Qiao Shi, key member of the ruling Politburo Standing Committee with a long career in the security service, paid an important visit to Tibet during the summer when he said opposition to China should be repressed "mercilessly."

Ominously, the most senior party official in Tibet, Wu Jinghua, was apparently replaced earlier this year by the region's military commander, Jiang Hongquan, who is likely to favour toughness over conciliation.

One factor which may outweigh that is Peking's concern to defuse international murmuring over its occupation of Tibet. This has multiplied over the past year. The Dalai Lama, Tibet's spiritual leader who fled the country for India in 1959, has embarked on a quiet campaign to attract world attention to the plight of his country, now treated by China virtually as a colony.

The Dalai's campaign culminated in June with his presentation of a new initiative to members of the European Parliament at Strasbourg. He proposed a deal with China under which Tibet should have internal independence while Peking retained responsibility for foreign policy and defence.

To avoid alienating the international community, China did not reject this out of hand, though it has dismissed the idea that Tibet should have any form of independence or "semi-independence."

Last week, however, as the Dalai was due to start a visit to Denmark, the Chinese embassy in Delhi released a proposal for talks (excluding the independence issue, however) at "any place he wishes."

This was a concession by China, which has previously insisted that all talks take place in Peking, and welcomed as such by the Dalai's officials. But no talks are likely to get going until China seems likely to give some ground on autonomy.

The spiritual leader's June proposal angered militant Tibetan exiles, who hold out for nothing less than full independence and now say that while they respect the Dalai, they disagree with him. They claim to be ready to continue the fight for freedom, although how to do so appears far from clear. Any such programme would need tacit support from India, now in process of improving its ties with Peking.

In the long run it is in China's interest to secure the Dalai's co-operation to pacify Tibet and enable some economic development, to which it has recently begun to pay more attention, to progress. But in the immediate future it is not likely to offer him more than a figurehead post similar to that held by the Panchen Lama. As the chances of his accepting that are nil, the present uneasy stalemate seems likely to continue indefinitely.

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OVERSEAS NEWS

Computer rivals meet to discuss standards battle

By Alan Cane in London

LEADING computer manufacturers from the US, Europe and Japan are to meet today near Boston, Massachusetts, to try and end a battle over standards which has divided the data processing industry and left computer users confused and irritated.

The argument concerns which version of a software program called "Unix" should be adopted by the world's computer manufacturers as a common standard.

Versions of Unix have been developed by all the major vendors but two are in contention as the basis for the worldwide standard; System V from AT&T, the telecommunications giant, and Aix from IBM, the computer maker.

Unix was developed by AT&T which licenses it to other manufacturers to use with their computers. But a group of seven vendors formed the Open Software Foundation (OSF) to develop a competitive standard based on IBM's Aix.

Since then, there have been discussions between the two groups with the intention of resolving their differences and settling on one common version of Unix.

At the end of last week the board of the OSF met at its headquarters near Boston to decide strategy.

Drugs charge Haitian colonel forced to quit

A CONTROVERSIAL and powerful figure in the Haitian military, Lt Col Jean-Claude Paul, has been retired from his post, AP reports from Port-au-Prince.

Col Paul has been a target of US criticism after being charged in the US last March with conspiring to import cocaine into the country, a charge he has denied.

Popular with his troops, Col Paul was so far the only major unit commander to cling to office after last month's enlisted men's coup that overthrew Haitian ruler Lt Gen Henri Namphy and placed Lt Gen Prosper Avril in power.

A brief announcement on state-run television said Col Paul was retired from the army and his post as commander of a key barracks.

One diplomat described Col Paul's dismissal as a "masterstroke". There were predictions the US government would respond with a resumption of its $60m a year aid package, which was cut off after last year's election-day massacre, when thugs killed 34 people at the polls.

"The situation is positive and encouraging," a US embassy official said.

Soldiers who staged the coup against Gen Namphy said they originally wanted to name Col Paul as armed forces chief, but decided not to because of the drug charges.

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION (1985 = 100)

					% change over previous year
	Aug '88	July '88	Jun '88	Aug '87	
US	111.7	111.46	110.33	106.1	5.3
	July '88	Jun '88	May '88	July '87	
UK	110.3	109.9	109.5	107.1	3.0
W. Germany	105.0	107.4	104.4	101.8	3.1
Japan	111.3	112.3	108.7	103.2	7.8
	Jun '88	May '88	Apr '88	Jun '87	
France	106.9	106.0	104.0	103.0	3.9

Horizons widen in export credit insurance world

Peter Montagnon describes how a normally sedate sector is waking up to the post-1992 realities

A SHAKE-UP is looming in the normally sedate world of export credit insurance as official agencies and private sector companies gear themselves up for the advent of the single European market in 1992.

Long used to working within carefully defined national boundaries, export credit insurers have begun to realise that 1992 poses a difficult challenge as, for the first time, they contemplate the development of genuine trans-national business. Mr Harry Groen, chief executive of the Dutch export credit agency NCM, says that in the context of 1992 "it would be unthinkable for the market to remain the same as it has in the 1980s."

Leading players in the market like Mr Groen are still far from certain about what exactly will happen after 1992, but a consistent theme of their conversation is that cross-border competition will intensify, that the private sector is better placed than state-run agencies to take advantage of the new opportunities, and that the largest potential losers are therefore organisations such as Britain's Export Credits Guarantee Department (ECGD) which is an arm of government.

It was largely for this reason that the ECGD initiated a far-reaching review of its status earlier this month which is to confront head-on the long-debated question of privatisation. Elsewhere, other agencies in both the private and public sector are re-examining their own futures.

Their soul-searching has been made more difficult, however, by the multiplicity of institutions involved in the credit insurance business. On the one hand are public sector agencies such as the ECGD which are obliged by statute to support national exports. On the other are schemes such as those best represented by NCM and Hermes, the West German insurance concern. Both are private sector credit insurers that reinsure some risk with their own national governments.

Waiting in the wings are also some major private sector export credit insurers, such as Britain's Trade Indemnity, and domestic credit insurance concerns, such as West Germany's Allgemeine Kredit, which might be tempted to enter the international market as a result of 1992.

Inside the ECGD itself, the fear is that foreign firms will enter the UK market, using their own home country expertise to prise business out of British exporters to their country. The ECGD, which is restricted by statute to supporting British exports, could not reciprocate in kind because that would involve supporting the exports of another country.

At stake is not so much long-term political risk insurance on export credits but the generally more lucrative, if lower profile, high volume business involving commercial risk insurance on trade within the EC itself.

Such business has been a mainstay of official export credit agencies which insure manufacturers against default due to bankruptcy of their foreign clients. At the ECGD, EC-related business accounts for some 60 per cent of its total short-term portfolio under which it provides cover on some £11bn worth of UK exports a year.

Mr Malcolm Stephens, its chief executive, acknowledges

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that after 1992 it would be possible for, say, a Spanish company which writes credit insurance in its own domestic market to set up shop in the UK and offer British exporters to Spain a specialist service based in its own knowledge of Spanish industry and commerce. But he says that the ECGD will be able to respond by offering a complete package of insurance products with worldwide reach.

He notes that 1992 in fact offers the ECGD a big opportunity because by using the more flexible and speedier response to inquiries it has developed in recent years, it should be possible to offer its services to companies which are now being "sensitised to Europe" but have not until now been involved in selling abroad.

That is unlikely to prevent organisations from other countries trying their hand, however. NCM, which does not generally operate outside continental Europe at the moment, is generally regarded as being the most aggressive in this respect.

Mr Groen denies rumours that it is planning to set up an office in London, but in general terms he is unequivocal about his company's determination. "The Netherlands is a rather small economy," he says. "Our home market is only 30,000 companies and we are the number three in terms of premium income among credit insurers. It's not my intention to be a subsidiary of another insurer."

NCM's advantage is that although it acts as the Netherlands' official export credit insurer, it is structured as a private company and already writes credit insurance in its domestic market.

Hermes, which is structured along similar lines to NCM, will not go into detail about its plans for 1992. However, to improve its own flexibility, Hermes earlier this year secured the right to insure the commercial risk attached to export credits on its own account rather than under its mandate from the federal Government in Bonn.

Even less clear are the plans of Coface, France's state export credit insurer which is a state-controlled company that basically works for the government and does not underwrite domestic risk. Market reports say that Coface has discreetly stepped up its contacts with the private market, possibly with the view to *considering* new forms of collaboration.

Yet the private sector is not likely to have things all its own way. According to Mr Terry Bridgman, assistant general manager of Trade Indemnity, the UK company which has emerged as a significant competitor to the ECGD, new EC regulations will mean that private sector insurers will have to put up reserve requirements on their business while state-owned concerns will not.

For its part Trade Indemnity is looking to expand abroad. The company does not intend to open offices on the Continent, but will operate there through brokers.

Mr Bridgman believes that the main tussle for new business will come in the large markets of France, West Germany and Italy. Most cross-border business initially is likely to concentrate on bigger companies offering high turnover while smaller companies will be left to national insurers.

The danger is that increased competition could lead to a damaging premium war, particularly if the total market does not expand, Mr Bridgman adds. NCM's Mr Groen echoes this point: "In coming years there will be a concentration of insurance companies."

So far the question of whether intra-European business will be definable as exports after 1992 has remained a highly theoretical one. But an agency like the ECGD, which relies heavily on intra-European business, would be hard hit if, as some legal experts suggest, it would no longer be able to apply a government guarantee in this sector after 1992. Mr Stephens says there is nothing to prevent it from continuing to do so, but another leading insurer to cast doubt on this is Mr Roberto Ruberti, head of SACE, Italy's state export credit insurer.

"Will there be such a thing as a British or an Italian exporter after 1992?" he asks. "I don't think enough thought has been given to this question."

If a single European market really does develop after 1992, there should not be any substantial distinction between an Italian export to, say, Iraq or a UK export to the same country. Both should count as European exports, he says.

Currently, however, there are widespread differences in conditions attaching to such cover. In the interests of fair competition after 1992, the major state export credit agencies such as the ECGD, SACE and Coface will have to work much harder to harmonise their policies.

Ultimately, Mr Ruberti believes such a harmonisation could evolve into one pan-European official export credit agency responsible for insuring all Europe's overseas business. To many others such an idea remains an impracticable pipe dream.

Closer to reality, however, may be a vision of a European market where short-term Community business is increasingly handled by large private sector companies encroaching beyond their national borders, while the once-powerful state agencies are pushed inexorably towards the less attractive business of insuring loans to the developing world.

ACP call for fundamental review of trade relations with EC

By Peter Montagnon, World Trade Editor

THE FORTHCOMING renegotiation of the Lomé Convention must involve a fundamental reappraisal of trade and aid relations between the European Community and developing countries in Africa, the Caribbean and the Pacific (ACP), says Mr Edwin Carrington, ACP Secretary General.

The background of Europe's plan for a single market in 1992 and the Uruguay Round of multilateral trade liberalisation talks means "we are facing probably the most crucial negotiation since we entered this relationship with the EC," he told a London conference.

Mr Carrington used the conference, organised by the West India Committee, to list several wide-ranging concerns ahead of the opening of formal renegotiation proceedings in Luxembourg next month.

The new convention had to bring development prospects to the ACP countries which existing arrangements have failed to deliver, he said. The 66 countries which made up the ACP covered half the developing world, but, despite 25 years of preferential treatment from the EC, not one had climbed into the league of newly industrialising economies, he said.

From now on emphasis had to be placed on the ability of ACP countries to process the commodities they produced rather than helping them with infrastructure and preferential access for their raw products to European markets.

The signs of such a shift in direction were "not particularly good," he added. "The word 'manufactures' is alien to the Lomé Convention."

Mr Carrington added he was worried about the EC's failure so far to agree among itself on a mandate for renegotiating the convention. The rich countries of northern Europe were opposed to increasing aid and the poorer countries of southern Europe were against further trade concessions.

"We are caught somewhere in between – between a rock and a hard place," he said. Meanwhile, the importance of the ACP countries to the EC was diminishing as its trade with Latin America and Asia increased.

The preferences ACP countries enjoyed in their trade with Europe would be eroded by multilateral concessions, particularly on tropical products, made in the Uruguay Round.

"The hope is that what we lose on the EC roundabout we'll gain on the rest of the world's swings," he said, but there were no assurances and the EC should be prepared to compensate for this in the Lomé negotiations.

In contrast with EC officials who argue that there is little further room for trade concessions under a new Lomé Convention, Mr Carrington listed a range of trade-related subjects that he said had to be addressed if ACP countries were to succeed in stepping up their ability to process raw materials at home.

These included improvements in the EC's rules of origin which, as currently defined, penalise ACP countries who seek to procure industrial components and raw materials from suppliers outside the EC and ACP. But he also expressed great concern over the growing tendency of the EC to concentrate on structural adjustment in its aid spending.

UK NEWS

Engineering trade deficit 'may double this year'

By Peter Marsh

THE ENGINEERING industry may double its trade deficit between 1987 and 1988, according to a forecast today by the Engineering Employers' Federation.

While exports of the sector as a whole have been expanding at a reasonable rate, engineering imports are predicted to rise from £38.47bn last year to £45.21bn in 1988.

That would lead to the trade deficit's rising to £8.37bn this year, compared with £4.18bn in 1987. The federation forecasts a further rise in the deficit in 1989 to £9.65bn.

Much of the deterioration in the trade figures for the sector, which are reported in the latest edition of the federation's bulletin on economic trends, are the result of increased import penetration in motor vehicles.

In that sector, the deficit is expected to increase by nearly £2bn, from £4.08bn to £5.98bn, between 1987 and 1988.

The mechanical engineering sector has also performed badly from the point of view of the trade balance - a positive balance of £1.4bn for 1987 is likely to be replaced by a slight deficit this year.

Mechanical engineering covers a range of individual sectors of business, including machine tools and other production equipment.

Imports of such equipment may, say some economic commentators, eventually benefit Britain's overall trade balance by helping to stimulate exports of finished goods.

The remainder of the deterioration in the overall trade figures of the engineering sector is accounted for by relatively small fluctuations in the net balance between imports and exports in the case of three other individual parts of the business – electrical and instrument engineering, metal goods and transport equipment unrelated to motor vehicles.

As far as output of the engineering sector is concerned, the twice-yearly bulletin says prospects are generally good. However, production, which has grown significantly in the past two years, is likely to increase less rapidly over the next 18 months – largely as a result of high interest rates, according to the federation.

The bulletin says the high rates will lead to a reduction in the rate of increase in consumer spending and make new investment projects in the engineering industry less likely.

Total output of the industry in 1988 is likely to be £107.63bn, compared with £95.64bn last year. Sales are due to rise further to £117.66bn in 1989.

The figures mean that expansion of the industry, measured at constant prices, is likely to proceed at roughly half the rate over the next 18 months compared with the past 18 months. Companies selling aerospace and electronics equipment are likely to record good sales increases, while prospects for sectors involved with motor vehicles, instruments, metal goods and mechanical engineering are less good.

Engineering Economic Trends, Engineering Employers' Federation, Broadway House, Tothill St, London SW1H 9NQ.

Inquiry urged into killings in Gibraltar

AN INQUIRY should be launched into the SAS killing of three bomb-plot terrorists in Gibraltar to prevent the IRA being handed a "propaganda coup," Mr Peter Barry, Ireland's opposition foreign affairs spokesman, said yesterday.

Mr Peter Barry, of Fine Gael, said he had little sympathy for the dead terrorists, but added that he wanted an inquiry to reinforce the rule of law.

He said questions about the shootings on the Rock remained, in spite of the verdict of lawful killings returned by an inquest jury on Friday.

He also supported the British Labour Party's call for the inquest now to be followed by a more thorough inquiry into how the IRA trio died.

Speaking on BBC radio, he said: "I do not want to drag down the security forces in any way."

Avoiding a full judicial inquiry, Page 29

Government will outline initiatives on pollution

By Peter Riddell, Political Editor

A CONSULTATIVE document outlining government initiatives towards pollution control and the environment will be published during the winter.

Mrs Virginia Bottomley, a parliamentary under-secretary at the Department of the Environment, yesterday confirmed in a BBC television interview that a consultative exercise would be undertaken.

She referred to the integration of policy and inspection concerning water, land and air issues.

Among the topics expected to be reviewed are action on the importation, processing and discharge of waste, acid rain and pollution control.

The intention to produce such a consultative document was reached well before Mrs Thatcher's unexpected speech last Tuesday to the Royal Society in which she highlighted the damage done to industrial societies by environmental problems.

Department of Environment ministers were as surprised as commentators by the speech, although there has been an increased tempo in recent months in government activity concerning "green" issues.

Mr Nicholas Ridley, the Environment Secretary, stressed last week how much Britain had already done to tighten up environmental controls in line with international standards.

No decision has yet been taken on whether the consultative document should be followed by legislation; the earliest this might happen would be in the 1989 to 1990 parliamentary session.

However, ministers are aware of the growing political importance of environmental issues, which have been stressed by opposition politicians in the current party conference season.

Welsh extremists bomb estate agents

By Ian Hamilton Fazey

WELSH nationalist extremists carried out seven near-simultaneous fire-bomb attacks on estate agents' offices in English villages, towns or cities near the border during the weekend, but caused only minor damage. No one was injured.

The attacks, which follow similar but isolated incidents earlier this year, are believed to be part of a campaign against English people buying homes in Wales.

Their significance is that they were spread over the full 140 miles of border between Merseyside and Bristol – having a greater propaganda effect – and must have involved several conspirators.

An organisation calling itself the Sons of Glyndawr claimed responsibility for the attacks in telephone calls to the Samaritans in Chester and the Press Association.

The properties are advertised and sold in England, particularly in better-off areas within easy reach for weekend use as second homes, and are in great demand.

Rising prices have been making it difficult for young Welsh locals to get into the market.

Gwent, in South Wales, has been particularly affected because the M4 and high-speed rail links have greatly improved accessibility to London.

Young married couples are having to look in poorer parts of Wales or England if they want to start on the house-owning ladder.

The attacks all appear to have been timed for about 11 pm on Saturday.

Two were made in the Wirral peninsula in small towns facing North Wales across the Dee estuary, two in Wellington, Shropshire, one in Worcester, one in Chipping Campden, Gloucestershire, and one in Bristol.

They appear to have been placed symbolically near the main roads into North, South and mid Wales, and in upmarket high streets.

Investigations are being co-ordinated by a Special Branch officer attached to Merseyside Police Force.

Top merchant banks ranked

By Martin Dickson

SCHRODER WAGG and S. G. Warburg were the leading merchant banks advising UK companies on takeover bids in the first nine months of this year, according to league tables compiled by FT Mergers and Acquisitions, a monthly magazine.

Schroder Wagg ranked first in a table covering bids for publicly quoted companies, advising on completed deals worth £7.17bn. In the comparable league table for the whole of 1987 it ranked third.

S. G. Warburg ranked second – the same position as last year – in this category of bids, advising on deals worth £6.6bn. Morgan Grenfell, which for many years dominated takeover league tables, is in third place, with N. M. Rothschild fourth.

However, the table does not include advisers who may have helped a company in a bid yet not been named in the takeover literature. It also allows all named advisers the full value of the bid, rather than dividing it among them.

A second table, adjusting for these factors, shows S. G. Warburg as the leading adviser, followed by Schroder Wagg and Goldman Sachs, the US investment bank, which has had some involvement in several large deals this year.

Large bids in which Schroder was involved include BP's £2.5bn offer for Britoil and the unsuccessful defence of Rowntree against Nestlé. Warburg advised Jacobs Suchard in the three-cornered fight for Rowntree and was also joint adviser to Goodman Fielder Wattie, the Australasian group, in its bid for Ranks Hovis McDougall.

Bids for publicly quoted companies - Jan to Sept 1988 (financial advisers named in documentation of completed bids)

Bank	1987 full year position	value of bids £m
1 Schroder Wagg	3	7,172
2 S.G. Warburg	2	6,632
3 Morgan Grenfell	1	5,553
4 N.M. Rothschild	11	4,039
5 Kleinwort Benson	4	3,885
6 County NatWest	9	3,506
7 Lazard Brothers	6	2,806
8 Shearson Lehman	–	2,755
9 Samuel Montagu	7	2,568
10 Lazard Freres (NYK)	15	2,040

Source: FT Mergers and Acquisitions

Corner shops resist inroads of multiples

By Maggie Urry

CORNER shops selling confectionery, tobacco and newspapers – called CTNs in the trade – are practically the only type of retailer that has resisted the march of the multiples, according to a report on the sector by Verdict Research.

The secret of their success has been their domination of newspapers and magazines. Because such goods are not subject to price-cutting and the trade has not been lost to supermarkets to any large extent, CTNs should continue to succeed, Verdict predicts.

However, the company believes there will be some gradual increase in the multiples' share of the £8.4bn market in coming years.

There are about 45,000 CTNs in the UK with independents owning about three quarters, Verdict reckons. Shop numbers have been relatively stable, falling from 48,000 in 1976.

On average, a CTN makes 41 per cent of its gross profits from newspapers and magazines, 12 per cent from tobacco and 12 per cent from confectionery.

Verdict on CTNs, Verdict Research, 112 High Holborn, London WC1 6JS, £450.

Study reveals trend in corporate finance

By David Lascelles, Banking Editor

UK COMPANIES are beginning to concentrate more of their financing business with banks that provide a broad range of services, including capital markets and corporate finance services, rather than with specialist banks.

That is the main conclusion of a new survey of the corporate finance industry in the UK by Greenwich Associates, one of the leading research companies in the financial services market.

The Greenwich study, based on interviews with 565 users of banking services, shows that clearing banks are benefiting most from this trend.

The study adds weight to the view that groups that have tried to combine securities activities with their more traditional corporate finance and commercial banking operations in the past few years will gain a competitive advantage.

Although the report does not name any institutions, they would include clearers such as Barclays and NatWest, which have entered the securities business in a big way since the liberalisation of the Stock Exchange in 1986.

The opposing view holds that UK companies will prefer to deal with smaller, independent houses where they get more personalised service and where there is a lesser danger of the bank suffering from conflicts of interest.

However, Greenwich's findings are not clear-cut. The survey shows that UK companies are not pressing banks to widen the range of their services, but that, in practice, they are tending towards banks that offer integrated commercial banking, merchant banking and brokerage services.

Mr Allan Munro, one of the consultants who prepared the report, said: "Universal banking may not have arrived in Britain, but it is clearly on its way.

"Although UK companies are neutral on the theory, they are positive on the practice. And the financial institutions that are becoming universal are the major beneficiaries."

Major Shifts, Big Comeback. Greenwich Associates, Office Park Eight, Greenwich, Connecticut 06830, USA.

Swift and Reuter drop global risk venture

By Alan Cane

A JOINT venture in electronic global risk management between Swift, the organisation that runs the international banking community's computerised messaging system, and a subsidiary of Reuter, the world's largest electronic publisher, has been abandoned after 18 months without a single sale.

The joint company, called Georisk, was formed by Swift and I. P. Sharp, a computing services company that operates an international data network and was bought by Reuter in April 1987.

Electronic global risk management, whereby an organisation can examine, assess and modify its exposure to risk across the world on a moment-to-moment basis, has assumed increasing importance as financial institutions have come to terms with the consequences of serious financial disjunctions such as the 1987 collapse in the world's stock markets as well as increasingly stringent capital adequacy requirements.

Swift and Reuter intend to stay in electronic risk management but will go their own ways. Swift will retain the rights to the Georisk name. It will announce at Sibos, its annual conference which opens tonight in Vienna, that it intends to develop a new range of global risk management products. It intends to go well beyond the limits of Georisk's existing product, Stream, and cover the entire spectrum of treasury instruments from foreign exchange and guarantees to term loans.

Renters is expected to announce plans soon for a new global risk management service.

The original Georisk product was based on a comparatively early I. P. Sharp design, the Global Limit Control System (GLCS) installed at Deutsche Bank, Credit Suisse, the Bank of Montreal and three others

It proved too simple to meet the increasingly sophisticated needs of international treasurers, industry sources claim. The Bank of Montreal is now using a global limits system marketed by General Electric Information Services of the US.

UK NEWS

LABOUR PARTY CONFERENCE IN BLACKPOOL

Kinnock keeps leadership with decisive 88.6% vote

By Michael Cassell and Peter Riddell in Blackpool

BRITAIN'S opposition Labour Party confirmed Mr Neil Kinnock as leader yesterday by a landslide vote. Last night, he described his "great victory" as a mandate from his party to win the next general election.

On the opening session of the party's conference in Blackpool, north-west England, Mr Kinnock won 88.6 per cent of the vote in an electoral college comprised of trade unions, constituency parties and Members of Parliament. Mr Tony Benn, his hard-left challenger, captured only 11.4 per cent.

Mr Roy Hattersley, the deputy leader, also won re-election, taking 66.8 per cent of the vote. Mr John Prescott, the party's energy spokesman, won 23.7 per cent and Mr Eric Heffer, who ran for the deputy leadership alongside Mr Benn, captured only 9.5 per cent of the vote.

Their comfortable wins were widely expected and, although the reception was warm from most delegates, it was less enthusiastic than when the two men were originally elected five years ago.

The scale of the victories reflected not only the predicted support of most trade unions and of Labour MPs but also a high level of backing from constituency parties, particularly those which had held ballots of their members.

The result has isolated the party's hard-left and given an important boost to the leadership's attempt to update Labour policy and organisation.

Mr Kinnock said immediately after the results were announced that the size of the victories represented "a great honour, a great trust and a great duty too."

Mr Prescott said the party had spoken quite emphatically in wanting to keep the present leadership. He would not challenge Mr Hattersley again in the current parliament.

Mr Kinnock's personal victory will provide him with powerful ammunition throughout the week as the leadership attempts to win approval for the first stage of two-year review intended to prepared Labour for the next general election.

There was early confusion and some embarrassment for the leadership when the national executive committee accepted for debate a resolution which left-wingers claimed would, if passed by conference, end Labour's support for Nato and overturn its pledge to strengthen conventional forces in favour of nuclear weapons.

Both Mr Kinnock and Mr Hattersley supported a recommendation from party officials to have the resolution remitted so it could be injected with other proposals into the current review of defence policy.

Other members of the National Executive Committee (NEC) complained that, having been advised the resolution contained no change in party policy, there had been no adequate explanation as to why it should not go to conference. The NEC voted 13-12 accept it.

Mr Kinnock also received encouragement from a Sunday newspaper poll which showed Labour only five points behind the ruling Conservatives.

Unions call for end to annual election

By Charles Leadbeater in Blackpool

SENIOR trade union leaders yesterday signalled they want to end the annual election for the Labour Party leadership.

While such a move would be welcomed by Mr Neil Kinnock, and Mr Roy Hattersley, it seems likely they could this week face several clashes with the left-led Transport and General Workers' Union (TGGWU) over the development of the party's policy reviews.

Union leaders almost unanimously accused Mr Tony Benn and Mr Eric Heffer of diverting the party with their challenge for the leadership.

Mr Ron Todd, the TGWU's general secretary, yesterday indicated he favoured a rule change which would require a contender to win the support of 20 per cent of the party's MPs before they could run.

Mr Bill Jordan, the Amalgamated Engineering Union president, said he supported moves which would ensure there could only be one leadership election in a Parliament.

However, Mr John Edmonds, General Municipal and Boilerworkers' union general secretary, said the size of Mr Kinnock's majority meant such constitutional changes would be a diversion.

While the TGWU yesterday backed the Kinnock-Hattersley ticket, Mr Todd said there was disquiet over the policy reviews. The conference was the party's policy-making body and this week's decisions should set criteria which the policy reviews should meet in their final reports for next year's conference, he said.

Mandate to modernise despite seeds of doubt

Michael Cassell on tasks facing the Labour leader as he defeats his internal critics and sets about broadening the party's appeal

Mr Neil Kinnock's predictably overwhelming victory against Mr Tony Benn for the Labour Party leadership will now leave him free to pursue the task of modernising his party's appeal.

Though the outcome was never in question, the contest underlined the electorate's impression of a divided party and managed to sow seeds of doubt among some of his parliamentary team about Mr Kinnock's ability to deliver a Labour government.

Having seen off his internal critics, he will return to Westminster, where his parliamentary performances in handling Mrs Thatcher will be expected to prove equally skilful.

Yesterday's result, whatever lies ahead for Mr Kinnock, has resoundingly confirmed the peripheral influence of Labour's extreme left, even though its adherents were already making it clear before the votes were announced that they would not give up the fight. If Mr Kinnock fails now, he will not be able to blame the left.

In the meantime, the newly-endorsed leader will this week push through party rule changes making it very much more difficult for the parliamentary party to mount a challenge against him.

Mr Kinnock is unlikely to be a generous victor, given his anger over the challenge and the left's capacity to inflict damage on the party's standing. He will feel no need to react to their persistent criticisms over his leadership style and the direction he is taking the party.

Mr Kinnock's most likely reaction will be to ignore the Tony Benn-Peter Heffer axis altogether, although his colleagues at Westminster are anxious to see how far he will be prepared to bury the hatchet with Mr John Prescott, following his respectable but ill-fated challenge to Mr Roy Hattersley, Labour deputy leader.

Mr Prescott remains bitter at the way he was treated by the leadership in its attempts to prevent him from standing and he has proved there is a significant measure of support for him in the country.

He says he would not be surprised by an attempt to have him removed from the Shadow Cabinet in the forthcoming elections at Westminster. If he stays on board, Mr Kinnock's choice of portfolio will be closely watched.

As for the party leader, Mr Kinnock's problems are by no means over, if the findings of the latest batch of opinion polls are to be believed.

According to a Gallup poll in yesterday's Sunday Telegraph newspaper, only one voter in four expects Labour to form a majority government within the next 10 years. Gallup says nearly half the electorate – including 29 per cent of Labour voters – never again expect it to hold power on its own.

At the same time, 67 per cent of voters believe the party is poorly led, although 40 per cent backed the Kinnock-Hattersley ticket as the best leadership team. Among Labour voters the figure was 44 per cent, well ahead of any other alternatives.

Asked what Mr Kinnock should do if he cannot manage to boost the party's fortunes over the critical next 12 months, 23 per cent said he should stay on as leader, a figure rising to 33 per cent among Labour supporters.

Another 39 per cent say he should offer himself for re-election (40 per cent among Labour voters) and 30 per cent believe he should resign (20 per cent of Labour persuasion).

A Harris poll for TV-am, the morning television station, also underlined the electorate's perception of a party unlikely to win power. The poll showed the Conservatives, or Tories, on 48 per cent, still 12 per cent ahead of Labour and it suggests that 60 per cent of voters believe Labour cannot win the next election. Only 31 per cent believe it has a chance of beating the Tories.

There is some encouragement, however, in an opinion poll conducted by Market & Opinion Research International (Mori) for the Sunday Times newspaper, which suggests the gap between the two main parties has narrowed.

Last month, the Tories stood 14 per cent ahead of Labour but now the gap is down to 5 per cent, with the Tories on 44 per cent and Labour on 39 per cent.

Mr Kinnock's job is to complete his policy review this time next year and to begin building up the party in preparation for the next election. If the polls still fail to paint a brighter picture, then he could eventually face a more serious challenge to his position than the one he has just routed.

IBA explores plan for independent national editor

By Raymond Snoddy

THE INDEPENDENT Broadcasting Authority (IBA) is exploring a new form of regulating commercial television in the UK, including the creation of an independent national commissioning editor with an annual budget which could be as high as £600m a year.

The IBA is looking at the proposals in advance of planned government legislation which is expected to replace the Authority by a commercial television organisation to regulate cable and satellite, as well as conventional, television.

Sir Donald Maitland, deputy chairman of the IBA, said yesterday: "What we are talking about is putting a system in place which could be used by any successor authority, something that could usefully anticipate the future."

Sir Donald, a former UK permanent representative to both the United Nations and the European Community, has put forward the radical proposals but the Authority has accepted they are worth exploring.

The new system, which could be implemented by 1990 for the last three years of the existing Independent Television (ITV) franchises, would involve less detailed prior regulation by the IBA.

A new national commissioning editor and staff would have the power and the budget to commission the programmes needed for the ITV network from both the independent television companies and independent producers.

The new commissioning system would be independent from the IBA and might be organised under the aegis of the ITV Association, the trade body representing all the associated companies.

At the same time as creating a commissioning editor "to crack heads together" and end the perpetual squabbling between the 16 companies, more responsibility would be given to the ITV system.

The IBA would continue to exercise its statutory responsibility for what is shown.

What had been seen as the IBA's excessive interference in programme scheduling would end if the new proposals, which it is not thought would require legislation, are accepted.

"It's a mature system. The companies deserve to be given more responsibility and for the IBA to have more confidence in them," said Sir Donald.

Health law to boost drug profits

By Peter Marsh

SUPPLIERS of vaccines hope to gain a £5m-a-year boost from today due to new health regulations expected to encourage more parents to immunise their children against common and sometimes dangerous illnesses.

From today, mumps and rubella, or German measles, become notifiable diseases – which should enable the Health Department to monitor more closely the numbers of individuals affected by the ailments.

At the same time, the department will encourage the use of triple-shot vaccines which provide immunity against mumps,

UK NEWS

Sizewell inquiry was unfair, says report

By David Green

THE SIZEWELL B nuclear power station inquiry was unfair and failed to command public or political confidence, according to a report compiled with funds from the Economic and Social Research Council.

The report, by three university academics, recommends that opposition groups at key inquiries should be publicly funded in future to make such hearings fairer and more efficient.

The Government has so far resisted calls to provide funds for opposition groups and has directed public corporations such as the Central Electricity Generating Board not to offer groups any direct financial assistance.

The Sizewell B inquiry lasted 27 months, heard evidence from more than 200 witnesses and cost an estimated £25m.

The academics, who conducted a four-year study including analysis of the inquiry proceedings, say the hearing was unfair because of a lack of resources among objecting groups, the complexity of the evidence and the length of the hearing which ruled out the maintenance of a credible opposition.

The report has been compiled by Professor Tim O'Riordan and Dr Ray Kemp, of the University of East Anglia, Norwich, and Professor Michael Purdue, of the University of Newcastle upon Tyne.

They say public funds for voluntary groups participating in the Sizewell hearing could have enabled them to commission research which would have assisted the inspector, Sir Frank Layfield, QC.

The authors recommend that money be provided by the applicant in any major inquiry and distributed by an independent panel. The money should go on research, not on legal representation.

Sizewell B was given the go-ahead by the Government after the inquiry.

Sizewell B: An Anatomy of the Inquiry. Macmillan. £45.

Shift of ground in nuclear dispute

John Hunt on the inquiry into the Hinkley Point reactor plan

WHEN A Magnox nuclear power station was built at Hinkley Point, Somerset, in 1965 the public inquiry into the project lasted a mere two days and there was only a handful of objectors. This was followed by an advanced gas-cooled reactor which went ahead on the same site in 1976 without a hearing.

Those halcyon days are in the past. Tomorrow Mr Michael Barnes, QC, opens a public inquiry into the Central Electricity Generating Board's proposal for a third generation of nuclear power on the site by adding a pressurised water reactor, to be known as Hinkley C.

Nearly 13,000 people and organisations, local and nationwide, have registered objections to the building of a third plant on the shores of Bridgwater Bay, across the water from Burnham-on-Sea.

The vocal opposition group, Stop Hinkley Expansion, includes among its sponsors Mr Paddy Ashdown, leader of the Democrats and MP for Yeovil, Ms Dawn Primarolo, Labour MP for Bristol South, Mr Dafydd Elis Thomas, Welsh Nationalist MP, Mr David Bellamy, TV personality and environmentalist, and Ms Julie Christie, the actress.

The protestors will tomorrow show their opinion of the scheme by parading an enormous effigy of a white elephant nicknamed Hinkley through the streets of the village of Cannington, where the inquiry will be held.

It will be the biggest inquiry into a new nuclear power stations since the 2½-year examination, from 1983 to 1985, that led to the approval, amid great controversy, of the Sizewell B PWR in Suffolk. More significantly, it will be the first since the Chernobyl nuclear accident in the Soviet Union in 1986 – a dread event that will cast a shadow over the proceedings and colour the views of the opponents.

Procednres have been streamlined since Sizewell and the present inquiry is not expected to run beyond a year.

The CEGB says it is essential to have a family of four PWRs operational by the year 2000 in order to meet demand for electricity. Sizewell B is under construction, Hinkley would be the second, and the board is expected to apply shortly for one at Wylfa, Anglesey, and will later apply for a fourth at a site not yet named.

It estimates that Hinkley C would provide an average of 10,000 jobs a year during its seven-year construction and would inject £300m into the Somerset economy.

The board does not want to be dragged into repeating the basic arguments on the safety of the PWR, which is now the most widely used nuclear power system in the world. It takes the view that those arguments were thoroughly aired during the Sizewell marathon and that its faith in the system was vindicated in the report of the inspector, Sir Frank Layfield.

However, the board will give evidence on safety details pertaining to Hinkley, such as emergency planning arrangements and the effect of discharges on the locality.

The opponents find that attitude completely unsatisfactory and point out that Chernobyl makes a basic re-examination of the system all the more essential. They are not convinced by the protests of the CEGB and the Department of Energy that the Soviet plant was of a different type and that such an accident could not occur at Hinkley.

They also hark back to the accident at the American PWR on Three Mile Island, Pennsylvania, in 1979, and point out that it is of the same basic design as today's PWRs. They claim that as a result of that incident no further PWRs have been commissioned in the United States. Not so, says the CEGB – in fact two American PWRs, at Wolf Creek and Callaway, have since been put into operation and are working satisfactorily.

Another important new factor in the present inquiry is the imminent privatisation of the electricity industry, with the CEGB handing over to its successors in January 1990, followed by the flotation of the industry in stages.

The opponents of Hinkley C protest that the CEGB is in the anomalous position of proposing a a nuclear plant that it will not itself be running. This function is expected to be carried out by the the larger of the CEGB's two successor generating companies, known as Big G.

They also argue that potential investors will be deterred from putting large sums of money into a privatised generating industry burdened with an expensive and controversial nuclear power programme.

According to the CEGB, such fears are unfounded. It says the privatised structure will ensure continuity of high standards of management, safety and environmental protection.

The economic arguments will be central to the case put forward by the "antis", who maintain that fossil fuels would be cheaper than nuclear power. But the CEGB is determined not to be dragged into that controversy. It maintains that such comparisons are irrelevant to the inquiry, as the board has to operate within the Government's policy of diversification of power sources. It says that the valid comparison is between nuclear fuels and other non-fossil sources such as wind and tide power.

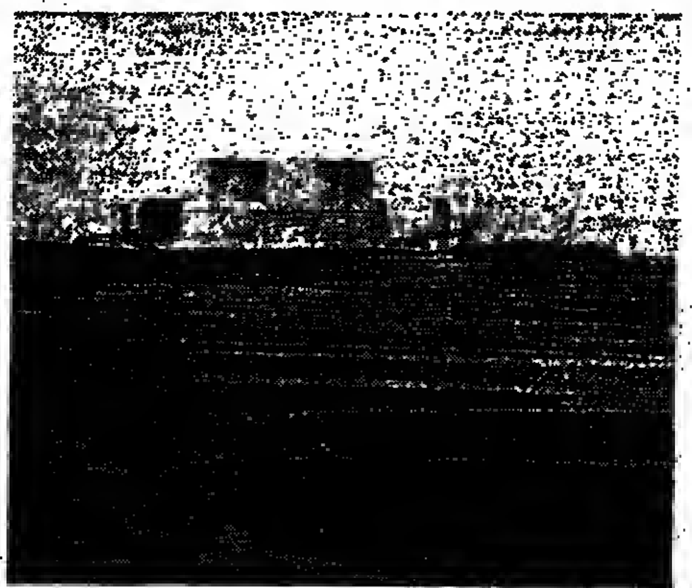
The critics claim that the CEGB is trying to duck the economic argument and has hastily changed its ground since the Sizewell inquiry. It is no longer prepared to argue that nuclear power is the cheap option but bases its case on the need for a diversity of fuel supplies.

In any event, this controversial matter is certain to arise as the inspector has indicated that he is prepared to listen to arguments about it.

The wide range of organisations opposing Hinkley C include Friends of the Earth, Greenpeace, the Council for the Protection of Rural England and the Coalfields Communities Campaign.

At this inquiry the CEGB will face much stiffer opposition from local authorities than it did at Sizewell. The Democrat-controlled Somerset County Council will be opposing the scheme at the head of a consortium of 20 other local authorities.

Somerset is putting up £500,000 for the cost of fighting the case, other counties in the consortium are each subscribing £50,000 and district councils are giving at least £10,000 each. The eventual cost to the consortium could be £1.5m.



Hinkley: the CEGB wants a third-generation PWR

Rosehaugh role in Manchester dockland revival

By Ian Hamilton Fazey, Northern Correspondent

ROSEHAUGH is today revealed as the main property company behind the £350m Wharfside project, which will be centrepiece of the redevelopment of Trafford Park in Greater Manchester.

Trafford Park Development Corporation will today begin negotiations to finalise agreements. Rosehaugh has linked with Trafford Park Estates, the quoted company that created the park as Europe's first industrial estate at the turn of the century, to form a new company for the project, Rosehaugh Trafford.

Trafford Park Estates struggled for decades against the slow decline of the sprawling 2,700-acre industrial zone – in effect Manchester's docklands – until the Government named it as an urban development corporation two years ago, enabling public funding of anti-dereliction measures.

This has changed the climate of confidence: so much that there has been at least £170m of investment by the 640 companies in the park already.

The arrival of a substantial, nationally based property developer such as Rosehaugh – which has been particularly successful in the London Docklands – is expected to boost confidence further.

Agreements are expected to be completed before Christmas to enable work to begin early next year.

The Wharfside project covers a 200-acre site, which is to be turned into a new water basin, with links between the Bridgewater and Manchester Ship canals.

It will be one of the largest urban regeneration projects outside London. A mixture of office, commercial and industrial schemes is planned, together with water-based leisure facilities, shops and private housing. About 6,000 new jobs are forecast.

Mr Peter Hadfield, chairman of Trafford Park Development Corporation, said yesterday: "Wharfside is our flagship enterprise. It is the gateway to Trafford Park."

Mr David Evans, senior development executive of Rosehaugh, will move to Manchester to head the project jointly with Mr Jim Davis, development director of Trafford Park Estates.

Mr Evans said yesterday: "We have made a conscious decision to move to the regions. Trafford Park was clearly the area with the most potential. We believe it is about to re-emerge as one of Europe's most important industrial and commercial centres."

Poor suppliers may drive away Japanese

By Hugo Dixon

JAPANESE investment in the UK is threatened by the shortage of good local suppliers of components, according to a study published today by the Policy Studies Institute, an independent research body.

In recent years, Britain has been one of the favourite locations for Japanese companies wishing to establish manufacturing plants in Europe, because of encouragement by the Government and the English language. More Japanese investment in Europe is expected in the run-up to the establishment of a single European market in 1992.

However, British companies have not been meeting the requirements of Japanese companies in this country, according to the PSI report. Investment may now switch to continental Europe, where better local suppliers are more readily available.

The report also predicts that Japanese component suppliers will take advantage of these shortcomings and set up their own factories in Europe, displacing domestic suppliers.

The report, which is based on case studies in Japan and the UK, pins the blame for Britain's failure on the short-term nature of the relationship between suppliers and manufacturers.

Japanese companies make exacting demands on their suppliers, but the relationship is a close and long-term one. Products are often developed jointly and small suppliers are lent expensive equipment.

Manufacturers and Suppliers in Britain and Japan, PSI, 100 Park Village East, London NW1 3SR, £9.95.

Electricity lobbyist attacks Tory pro-nuclear policy

MR ALEX HENNEY, an independent economist whose writings helped to prepare the ground for the Government's radical proposals on electricity privatisation, is to campaign against its pro-nuclear policy, writes Maurice Samuelson.

He has been commissioned by the environmentalist group Greenpeace to analyse the economics of nuclear power stations, which, under the privatisation proposals, will be subsidised against commercial competition from coal and other conventional power stations.

The result will be a 20,000-word book: The Economics of Nuclear Power in Grest Britain, to be published at the end of next month. It will be accompanied by a much longer work, for limited circulation.

Mr Henney, an outspoken former chairman of the London Electricity Consumers' Council, said at the weekend that he aimed to influence the City of London's attitude towards nuclear power as it weighed up the prospects of investing in electricity. After his book appeared, he hoped that there would be "no more debate."

He will also point to the decline of nuclear power in the US when he gives evidence on behalf of Somerset County Council at the public inquiry on the proposed Hinkley Point pressurised water reactor station.

Mr Henney, a subscriber to Greenpeace, denies being an overnight convert to environmentalism, a charge levelled at Mrs Margaret Thatcher, the Prime Minister, after her speech last week at the Royal Society.

He made his mark in the electricity privatisation debate in a series of pamphlets, some of them published by the Centre for Policy Studies, the think tank established by Lord Joseph, the former Conservative Cabinet Minister.

Granada plans to promote NW

GRANADA, the television and leisure group, is to lead and largely fund a £500,000 drive to promote north-west England to investors and expanding companies in London, the south-east and abroad.

It has persuaded the Department of Trade and Industry and six leading public-sector agencies in the region to support four one-day conferences in one of its television studios during the first week of November.

The conferences will be linked to an exhibition, television news reports and two programmes on Sunday, November 6, when the results of a survey by Manchester Business School on what southern-based companies think of the north will be broadcast.

Tourism-related investment rises to record £2bn

By David Churchill, Leisure Industries Correspondent

INVESTMENT in English tourism and leisure developments reached a record of almost £2bn in the first half of this year – 61 per cent higher than in the previous six months.

The buoyant spending on leisure facilities this year followed the record number of overseas tourists who visited Britain last year.

The surge in tourism and leisure investment was announced yesterday by the English Tourist Board, which monitors leisure investment at six-monthly intervals.

Mr John East, the ETB's chief executive, pointed out that much of the new investment had been helped by the "pump-priming" of ETB development grants.

He said: "Our development funds have given the lead to companies and individuals wishing to invest in tourism.

"Property developers, while traditionally cautious, are beginning to recognise the importance of tourism and leisure in larger-scale mixed developments."

The ETB figures show that total investment in leisure projects totalled £1.98bn in the first half of this year, of which £243m related to projects completed and £1.74bn to projects under construction.

Among the big new leisure projects under way in the first half of this year was the £240m Battersea theme park being developed by Mr John Broome, owner of the Alton Towers theme park.

The success of the first holiday camp development by Center Parcs, a UK offshoot of a Dutch company, in Sherwood Forest has also led to work starting on a second centre in Thetford Forest in Suffolk.

The growth in visitors to the UK has also led to 58 new hotels under construction – the highest level since the end of the hotel development incentive scheme in 1973.

A new trend identified by the ETB is for investment in budget hotels which provide good quality accommodation but no extra facilities such as restaurants. The French group Accor is investing £81.2m in seven hotels under the brand names Novotel and Ibis.

Other important hotel investors include Trusthouse Forte, with £50.2m being spent on 11 sites, and Queens Moat Houses with £33.5m at four sites.

The ETB figures show that the geographical spread of leisure investment still favours London and the South-East, although north-west England is also attracting significant investment.

● Quality International, a leading worldwide hotel chain, has been forced to amend its planned hotel expansion in the UK.

Quality had planned to open 25 budget hotels under the brand name McSleep over the next three years at a cost of £70m.

However, following a successful challenge in the US courts last week by the McDonald's hamburger chain that the name infringed its own trademark, Quality has decided to call the new hotels Sleep Inn instead.

Barristers given hint over demarcation

By Raymond Hughes, Law Courts Correspondent

Lord Mackay: 'Bar must examine range of work'

BARRISTERS have been given a clear hint by Lord Mackay, the Lord Chancellor, that they should think again about their traditional opposition to solicitors being allowed to conduct cases in crown courts.

Opening the Bar's annual conference in London at the weekend, Lord Mackay said that every profession was becoming acutely aware that its role in society could nowadays only be justified by careful attention, not to self-interest or group interest, but to the interests of the public as a whole.

It was logical for the Bar, he said, "to examine the range of work currently its sole preserve to consider whether it is appropriate for a specialist profession."

The Lord Chancellor, whose speech was later variously described as "Delphic" and containing "coded messages," did not deal with specifics.

However, the consensus among those attending the conference was that he was referring to the age-old dispute between barristers and solicitors about rights of audience.

Although solicitors can appear as advocates in magistrates' courts and county courts, they have only limited rights in crown courts and none in the High Court.

Last July the Marre committee on the future of the legal profession recommended, by a majority, that solicitors should be given full rights of audience in crown courts.

It was notable that the dissenters from that view were the barristers on the committee.

The view at the conference was that Lord Mackay was not signalling an immediate intention further to whittle away the Bar's monopoly.

Rather, it was thought, he was suggesting to barristers that they should put their own house in order.

However, it was felt that he would not have referred, even elliptically, to the issue if, like Lord Hailsham, his predecessor-but-one, he was happy with the existing situation.

None the less, not all those at the conference took the same pessimistic view.

One barrister muttered about "too much Kremlinology going on" about the Lord Chancellor's speech.

Another said cheerfully: "If there were any coded messages they went right over my head."

Social compensation may replace disaster litigation

SOCIAL compensation schemes, rather than litigation, are emerging as the best way to deal with claims arising from disasters, it was suggested at the Bar conference, writes Raymond Hughes.

Mr Justice Beldam, a High Court judge and chairman of the Law Commission, said that the appeal of such a scheme was that "under its provisions, all who suffer are winners; under a litigation-based scheme, winners take all."

In a paper for a session on litigating disasters, he suggested that in an increasingly technological age in which safety factors were being revised it was inevitable that disasters giving rise to groups of claims would occur.

The causes of discontent with the present system for dealing with such claims by litigation were inequality of result of equally deserving cases, inordinate delay, complexity and the high proportion of costs to benefit.

Mr Justice Beldam said that class actions had been put forward as at least a partial solution to the matter of disaster litigation – although, he added, "the class action does not appear in the United States at least to have been the panacea that its protagonists here seem to proclaim it."

It was claimed that concentration of resources, both judicial and of the parties, was more likely to be achieved by a class action, which would also have the merits of consistency of decisions, reduction of cost and speed.

Against that was argued the difficulty of identifying the degree of community of interest and the subordination of some of an individual's interests to those of the class.

He said that the slow but inexorable move from fault basis liability towards strict and absolute liability, and support for class actions, suggested that society was moving away from litigation towards the idea of a social compensation scheme.

Bar is 'losing out in competition to form links with US firms'

By Raymond Hughes

BARRISTERS were losing out to City solicitors in the development of professional practice with leading US law firms, the Bar Conference was told.

In a forthright exposure of what US lawyers perceive as barristers' weaknesses, Mr Andrew N. Vollmer, a London-based member of a Washington law firm, said solicitors had gained the upper hand.

One of the main obstacles, he said, was that barristers lacked expertise and experience in the areas of greatest importance to the US lawyers most active in Europe.

Those were: international finance – including international loans, securities offerings and Eurobonds – and international corporate transactions, such as mergers and acquisitions.

Mr Vollmer was also critical of what he described as barristers' "antiquated working habits," and had some harsh words to say about barristers' clerks.

They were, he said, "overly protective" of their barristers, to whom they were reluctant to put through telephone calls; they were "notoriously unreliable" about whether a barrister would have time to do a project.

"One US lawyer said to me that barristers could increase their use by US lawyers by sacking their clerks and employing competent secretaries.

"The commercial reality is that lawyers are professionals engaged in trade, and US lawyers tend to send business to those who will reciprocate."

However, Mr Vollmer acknowledged the Bar's strengths of expertise, experience in litigation, and independence.

Mr John Toulmin, QC, told the conference that barristers were not making full use of the expertise that would enable them to play a greater part on the international legal scene.

The European Community, the US and Canada, and international arbitration had been identified as areas where there appeared to be scope for the Bar to develop its practice.

There was a feeling, Mr Toulmin said, that there were many barristers in London and outside with the necessary expertise which was being wasted because no one knew about it.

He also recommended becoming fluent in at least one other important language.

Private bank pays first dividend

By David Lascelles, Banking Editor

ADAM & Co, the private Edinburgh-based bank founded five years ago, is to pay its first dividend. The bank announced with its annual results that the dividend will equal 1.75 per cent of its £10m capital.

Mr James Laurenson, chief executive, said: "This is intended as an indication to our shareholders that we are thinking of them." The shareholders include Selective Assets Trust, Drayton Consolidated Trust, Standard Life and the Kuwait Investment Office.

The bank made an operating profit of £675,000 in the year to June 30, up from £473,000 the year before. Deposits increased from £42.2m to £64.6m.

Adam has appointed Mr Adam Lee as group development director.

UK NEWS

Study of health service rejects radical change

By Richard Evans

THE CASE for root and branch change in the National Health Service is weak, according to an analysis of health care in Europe published by the Association of the British Pharmaceutical Industry.

Although the latest data showed that, compared to other leading European Community countries, Britain was a low spender on health in both the public and private sectors, recorded mortality and morbidity rates appeared to compare well with the rest.

Dr John Griffin, director of the association, argues in a preface to the report that, rather than radical reform, the challenge was to build on what was already a good, although not perfect, service.

The report, Agenda for Health, recognises the positive achievements of the NHS and the strength of repeated calls from the caring professions for more public spending on the health service to bring it closer to the levels of state spending in West Germany, France, Italy and the Netherlands.

However, it states: "The central lesson from abroad is that in the 40 years since its establishment, the NHS has proved unusually inexpensive, yet no less effective in maintaining the population's welfare than systems two or three times more costly in per capita cash terms.

"If Britain does have a poor health record in areas like heart disease and cancer mortality, the causes appear not to be a failure of the NHS but patterns of consumption and behaviour."

Mr David Taylor, the report's author, states that the Government's most likely policy in the immediate future will be to maintain public support for the NHS at the current level of 6 per cent of gross national product.

He says: "Further advances in care standards will to a significant degree depend on obtaining maximum value for money within the NHS, and increasing private and/or voluntary payments for health care."

Against that background, the report supports the case for a lottery to help to fund the health service at the margins.

However, the report also warns that the idea of a national lottery would be fought vigorously not only by those opposed in principle to gambling but by established vested interests like football pools promoters.

It predicts that after the Government's funding review, now in progress, more emphasis would be placed on forming clear contracts between NHS purchasers and suppliers in both the public and private sectors.

The British pharmaceutical industry will contribute an estimated £890m net to the balance of trade in 1988 compared with £834m last year.

Agenda for Health 1988. ABPI, 12 Whitehall, London SW1A 2DY.

Integrating the attack on AIDS

David Fishlock on the linked approach to a pandemic

BRITAIN has mobilised a big national research effort over the past year to find vaccines and drugs to combat the AIDS pandemic.

Both the French — who first identified the AIDS virus — and the West Germans may follow the British approach of a co-ordinated research strategy, UK programme managers believe.

Dr Geoffrey Schild, the AIDS research programme director, says: "The French seem to like the way we have developed the cohesive strategy of our programme."

Leading British pharmaceutical companies, including Glaxo and Wellcome, as well as new biotechnology research companies, have joined his programme, launched by the Government last year with £14.5m of earmarked money spread over three years.

Eight collaborative research agreements covering intellectual property rights have been negotiated between companies and academic research teams. Nine more are being discussed.

Companies are also providing the novel biochemical substances urgently needed for AIDS research. Under one contract, Wellcome and Oxford University have collaborated in an experiment launched aboard the Discovery space shuttle on Thursday to see whether crystals of a novel protein can be made perfectly under gravity-free conditions.

The Medical Research Council, which manages the AIDS research programme, is equipping three high-security laboratories near London for joint use with industry in evaluating new treatments for the highly infectious disease.

AIDS research managers say they have been greatly heartened by the response of both the medical research community and industry to Britain's first directed programme of medical research.

Britain has used the research 'directorate' approach in other fields, notably in its Alvey programme of research in information technology.

About 550 scientists are being funded under the AIDS programme, at a total cost of about £5m this year and £7m next year. The programme has expanded from about 20 projects when it was first organised in the summer of 1987, to about 70 today. It spans national laboratories, universities, and charity and industry research centres.

It has also earmarked funds for about 20 training awards for post-doctoral specialists in virology and immunology, where shortages are expected as the AIDS programme continues to expand.

In addition to funds that the Government has earmarked specifically for AIDS research, the programme is being financed from the MRC budget and also by the Department of Health and the Office for Overseas Development. It includes research in Africa, where the pandemic is believed to have begun and to be spreading most rapidly.

Dr Schild says UK scientists have responded encouragingly to the high priority being given to evaluating their proposals for research, thus allowing the programme to be built up rapidly. He forecasts that it will be spending about £14m a year by 1990 and £18m a year by 1992.

A request for further Government funds, amounting to about £9m a year over three years from 1990, has been submitted.

Scientists have responded encouragingly to the high priority being given to evaluating their proposals for research

Industrial collaboration is a critically important part of the programme, involving research contracts placed with industry, and bilateral agreements between firms and academic teams, as well as collaborations involving the Medical Research Council itself.

Dr Schild cites Celltech, the Slough-based biotechnology research company, which has a contract to make large amounts of a novel protein called gp 120 by cell culture for the AIDS researchers.

Directed research is new to medical science in Britain, says Dr Dai Rees, MRC chief executive. It was adopted for AIDS because programme managers knew the cause and could plan a strategy to try to combat it, even though the problem is "complex and provides quite a challenge to the MRC," Dr Rees says.

He believes the past year's experience suggests progress can be accelerated by directed research. "It's worked and works well," he says.

The primary goal is to explain the molecular biology of the AIDS virus, which has not proved amenable to the classical methods of developing vaccines, previously used successfully for diseases such as polio, diphtheria and smallpox.

Overseeing the programme is an MRC committee under the chairmanship of Lord Jellicoe and including Sir Donald Acheson, the Government's chief medical officer.

The programme is managed through a steering committee chaired by Dr Schild, a senior MRC executive. It has two broad objectives: to discover anti-viral drugs for treating AIDS, and to develop vaccines that protect against the infection.

The MRC is claiming joint rights to royalties from research funded by its AIDS directorate and proposes to take the lead in negotiations for commercial exploitation.

Hospital uses horse sense to raise cash

By Alan Pike, Social Affairs Correspondent

IMPOSING CHARGES for horse grazing might appear an antiquated and desperate way of funding Britain's financially stretched health service, but it is happening in Manchester.

The money is raised by allowing horse owners to graze their animals on fields around hospital buildings. It produces about £1,200 a year for the Central Manchester District Health Authority, which, while a drop in the bay bucket, is all part of a programme to encourage health service managers to think more commercially.

A report published today by the National Association of Health Authorities lists more than 800 money-raising activities being undertaken in the health service. The Department of Health wants £20m raised from income generation schemes during 1988-89, and NAHA calculates that the target will be met.

Many health authorities — as the NAHA report shows — have well-established income generation schemes, although they are frequently small-scale. Car parking charges, baby photography and vending machines are more familiar examples than horse grazing.

The Government is now encouraging authorities to take a more ambitious view of commercial opportunities. Sir Roy Griffiths, deputy chairman of the NHS Management Board and managing director of J. Sainsbury, says in a foreword to the report that the time has come to look hard at the business value of hospital buildings, equipment and services.

"The sheer volume of people who visit and attend hospitals represents a considerable captive market which is very attractive to business and, on the other hand, hospitals possess a wide variety of skills and resources which local businesses would welcome and be willing to pay for."

Sir Roy acknowledges that some people question whether income generation is really the role of the NHS. He says he believes it is the responsibility of any organisation, public or private, to use its assets to the best economic advantage, provided this is consistent with its main responsibilities to consumers, the community and staff.

The Government has set up a small unit in the Department of Health to advice health authorities on income generation.

Income Generation in the NHS — Index of Schemes (2nd Ed). NAHA, Garth House, 47 Edgbaston Park Road, Birmingham B15 2RS. £15 (NAHA members), £25 (non-members).

Smoking ban on BA's UK flights

By Peter Marsh

BRITISH Airways is to ban smoking on flights within the UK from October 30.

The airline said a study showed that most passengers, whether smokers or non-smokers, favoured a ban on short flights. None of its domestic flights lasts more than an hour.

BA said it had no plans to outlaw smoking on international flights but would consider it if pressure from passengers was strong enough.

The airline carries 5m people a year on its domestic flights — about a quarter of its total number of passengers.

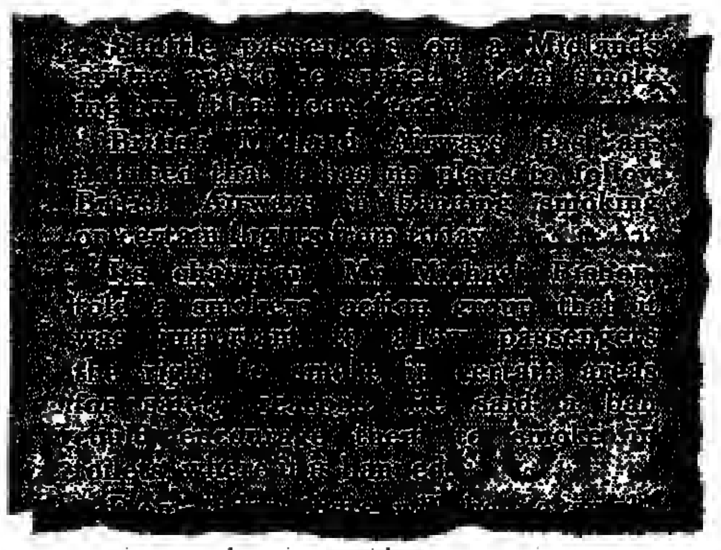
BA's move follows a growing trend in the airline industry. Air UK, Loganair and Paramount Airways are no-smoking airlines while Guernsey Airlines has banned smoking on its Gatwick—Guernsey flights.

MAY A MINORITY OF 17 MILLION SAY A WORD?

British Airways has announced that there will now be No Smoking on any of its UK scheduled or shuttle flights.

If, as a smoker, you wish to choose whether you smoke or not, remember there are other airlines.

Are they forgetting we still have a choice?



THE BIRMINGHAM POST

Issued by the Tobacco Advisory Council on behalf of Britain's 17 million smokers

LEGAL COLUMN

Conferences contrast on agenda and pleasure

By Raymond Hughes, Law Courts Correspondent

THE LEGAL conference season is upon us again. The Bar held its meeting in the Royal Courts of Justice and the Temple in London at the weekend; tha Law Society gathers in Cardiff later this month.

The timing of the two events – the barristers confining their deliberations to the last two days of the summer vacation, the solicitors taking off two to three working days during the Michaelmas term – is doubtless more to do with professional commitments than professional commitment.

It is interesting that the programmes for the two conferences contain virtually no overlap – almost the only common feature being an address by Lord Mackay, the Lord Chancellor.

The Bar, which attracted its largest attendance (more than 400 barristers and judges), crammed 10 workshops into two days. The best subscribed was that on litigating disasters, perhaps not surprisingly in view of the amount of work that has come the way of lawyers following such tragedies as the Opren case and the Piper Alpha and King's Cross disasters.

At this workshop Mr Justice Beldam, chairman of the Law Commission, suggested that the tide of opinion was moving away from litigation towards some kind of social compensation scheme as being the best way of dealing with claims resulting from disasters.

Other workshops were devoted to such topics as medical negligence and no-fault compensation; criminal justice, which included a contribution by Mr Nicholas Purnell QC on technology in the courtroom, provocatively sub-titled "Aladdin's Cave or Roskill's Revenge?;" intellectual property; planning and judicial review.

More orientated towards barristers' domestic preoccupations were sessions on fiscal planning for chambers and tax traps for the Bar, and the development of international practice for the Bar.

There is less of what might, for want of a better word, be described as junketing at the Bar conference: one buffet lunch (with wine), one lunch and a conference dinner. As for coffee and tea breaks, they ranged from five to 20 minutes – where they were included in the programme at all.

The Cardiff conference, by comparison, will be an excursion into hedonism. The programme begins with the eve of conference reception and dance and ends, apart from a Sunday morning service arranged by Lawyers Christian Fellowship, with a civic reception and conference dinner.

Other items on the social programme include luncheons and cocktail parties, a concert by the Treorchy Male Voice Choir and visits to a mining museum, St Fagan's Welsh Folk Museum, Tintern Abbey and the Cardiff Arms Park – not forgetting the golf competition.

To be fair to the Law Society, much of the social programme, parts of which run in parallel with the business sessions, is devised to divert husbands and wives accompanying their solicitor spouses.

To be even fairer, important and topical matters will be on the agenda at Cardiff. This year the scope of conference themes has been much reduced compared with previous years, when there have been considerably more alternative workshops – an indication, perhaps, of the profession's current leading preoccupations.

Day one is, broadly speaking, to be Cleveland day, with speeches by Lord Justice Butler-Sloss, who chaired the Cleveland child abuse inquiry, and Mr Tony Newton, the Minister of State at the Health Department, and a linked workshop on child care. There will also be a session on the 1986 Financial Services Act – "Investment business – how to survive and enhance your practice."

Day two will be Recruitment Day, with the morning devoted to consideration of the shortage of qualified solicitors and the afternoon to a novel feature, a careers and recruitment fair sponsored jointly by the Cardiff Law School – the UK's largest – and the Law Society.

Day three will be Legal Aid Day with a programme entitled "Legal aid: a service in crisis," which has been heavily promoted by the distribution of some 20,000 leaflets and is likely to be well attended and lively.

Missing from this year's agenda is any mention of multi-disciplinary partnerships – hardly surprising, perhaps, given the way the once inflammatory subject sputtered like a damp squib in Vienna.

Solicitors 'use more marketing services'

By David Churchill

THE AGE of solicitors hiding their light under a bushel has long gone, according to a survey that suggests legal firms are increasingly using public relations and other marketing service companies.

In spite of this trend, the study, published by RSA Client Relations, a market research consultancy, suggests that solicitors are rather sceptical of specialist communications consultancies and prefer to disseminate their information to target groups through in-house personnel.

The survey says: "A number of observations were made during interviews to the effect that the consultancies did not seem to understand the professional needs of lawyers and one firm gave the opinion that its public relations consultants did not spend enough time cultivating clients."

Not surprisingly, the 86 firms of solicitors in the study tended not to employ specialist consultants. Only 17 per cent of the surveyed firms did so.

However, smaller firms with no more than 30 partners were more willing to use consultants. A quarter of the smaller firms used external PR companies, compared with only a tenth of larger firms.

Even with the relaxation of restrictions on advertising by solicitors, most firms saw it only as a way of reaching new recruits. The survey suggests that the legal profession "seems to prefer the traditional methods of client contact to advertise their services."

Average advertising budget for firms with 30 partners or more was £100,000, with smaller firms spending an average of £55,000.

However, solicitors were far more willing to undertake below-the-line (marketing jargon for non-advertising promotions) activity, such as corporate hospitality. Tha survey found that three-quarters of the solicitors carried out client entertaining in some form.

Surprisingly, smaller firms were more likely to invite clients to sporting events than larger firms, although both large and small firms were equally interested in cultural events when entertaining.

Larger firms were more likely to use specialist print and design companies than smaller firms.

Public relations consultancies can take heart from the report's finding that eight out of every 10 firms of solicitors snrveyed said they would make more use of PR services during the next three years.

However, support for advertising services was more mixed, with approximately half saying they would advertise more and the other half saying they would continue at the present level.

LEGAL APPOINTMENTS

CONSTRUCTION CONTRACTS

£15m office management project

WALTER LAWRENCE PROJECT MANAGEMENT has been awarded two management contracts with a total value of £20.4m. On behalf of British Airways, Walter Lawrence will carry out a £15m management contract for offices and associated infrastructure at Bealine House, West End Road, South Ruislip, Middlesex.

Designed by Aukett Associates, the low-rise offices will consist of 150,000 sq ft in four blocks, which will be linked at first floor level by enclosed walkways and corridors.

The scheme will have brick facing panels with horizontal and vertical bands of blue colour, together with aluminium silicon glazed windows and door units. The contract will be completed in February 1990.

In Croydon, Walter Lawrence is completely refurbishing an 11-storey building in the Knollys House complex, Addiscombe Road, Croydon, Surrey on behalf of IBM(UK).

The £5.4m project will include the installation of a building management system, together with the refurbishment of the lifts, ceilings, lighting and floor covering, as well as the installation of a partitioning system.

A perspective view of a new offices scheme at Bealine House, South Ruislip, Middlesex

City of London offices

TRY CONSTRUCTION has been awarded an £11m contract by Wace Group for the construction of a mixed office and industrial development in Shepherdess Walk just on the northern edge of the City of London.

The work involves the construction of two buildings; a seven-storey office block and a part office and part industrial building across the road. The two will be joined by an arched walkway.

Both will be reinforced concrete structures with brickcladding and some curtain walling. The office building includes air conditioning, suspended ceilings and raised floors and there will be car parking in the basement.

The industrial/office section which is also seven storeys high and air conditioned will be in heavier reinforced concrete construction. The block has been designed to accommodate computers and high technology print platemaking machinery. Try will complete the project by the end of next year.

McAlpine awarded £6.5m contract

SIR ROBERT McALPINE & SONS has been awarded a £6.5m contract by MEPC for the construction of phase III of its Abbey Gardens project in Reading.

On a 2,750 sq metre site adjacent to phases I and II and fronting onto Kings Road, the four-storey office block with basement car parking will be of reinforced concrete frame construction. The project is scheduled for completion in December 1989.

£19m orders for Dew Group

DEW GROUP, the civil and contracting arm of the Allied Partnership Group, has won contracts worth £19m. The building division has booked £12m worth of contracts ranging from a workshop block for Her Majesty's Prison Services at Highpoint (£2.7m), a factory at Southall for Metal Box (£1.95m), a storage warehouse at Middleton for British Vinegar (£1.12m), a department workshop for Epping Forest District Council (£1.78m), an industrial distribution building at Swanley, Kent for Amec Properties (£1.4m), a coater building at Sittingbourne for Bowater UK Paper Co £1.06m), road transport workshop at Oldham for Royal Mail Letters (£303,000), and a warehouse at Boddingtons Breweries, Strangeways (£620,000).

The civil engineering division has won over £3m of orders for a number of projects including site works at the St. Lukes Hospital, Bradford, road works and infrastructure at Flixborough Industrial Estate for the Borough of Glanford, and a further contract on the Salford Quays site for the City of Salford where they have been working since its inception.

The landscape division has also been successful in winning a number of contracts for various clients such as C.E.G.B. at Sizewell 'B' Power Station (£436,000), and Drax Power Station(£174,000), Halton Borough Council (£352,000), and riverside walkway for Salford City Council (£564,000).

The sheet piling division has also had an influx of orders, the major one being for the cofferdam to the Canary Wharf Tower, London for Ellis Don - Sir Robert McAlpine (£764,000).

Export terminal on Indian coast

LAND & MARINE ENGINEERING, a member of the Costain Group, through its Indian joint venture company Land & Marine Engineering (India), has received a £15m order from the Oil & Natural Gas Commission for a turnkey design and construct contract covering installation of an export terminal on the west coast of India at Hazira.

The project includes a detailed survey, design and procurement through to installation and commissioning of an offshore tanker terminal to export a liquid fuel bi-product from the natural gas processing plant at Hazira.

Construction work will involve the laying and burial of a 24 Km long, 24 in diameter pipeline from the plant, which includes 7 km of landline, a 1 km crossing of the River Tapi and a 16 km crossing of tidal flats out to deep water in the Mindola estuary where a 50,000 dwt Calm buoy will be positioned for the tanker terminal.

DIARY DATES

FINANCIAL

TODAY

COMPANY MEETINGS-
Murray Smaller Markets Trust, 7, West Nile Street, Glasgow, 1.30
BOARD MEETINGS-
Finals:
Barry Wehmiller Intl.
Brierley Invs.
Lyles (S.)
Ossory Estates
Prospective Group
Shen Ivick
TR Portfolio Inv. Tst.
Interims:
Bilton (Percy)
Chartsearch
Doeflex
Eurotunnel
Helene of London
Lamont Hldgs.
North British Canadian
Scott & Robertson
Serco Group
Stylo
Thurgar Bardex
Tootal
DIVIDEND AND INTEREST PAYMENTS-
AAH Hldgs. 4.2% Prf. 2.1p
AIM Group 5.5p
Ariel Inds. 2p
ASDA Group 2.8p
BOC Group 5.95p
BTS Group 2.95p
Baker Harris Saunders Group 4p
Black Arrow Group 2p
Bullers 0.5p
CCF Group 1.4p
Cable & Wireless 4.85p
Cardo Engineering Group 10½% Red. Prf. 5.25p
Catalyst Communications Group 0.5p
Cattle's Hldgs. 1.25p
Central Motor Auctions 0.75p
Continental & Industrial Tst. 20p
Cowan, de Groot 0.75p
Crest Nicholson 2.5p
Dee Corp. 5.5p
Dewhurst 0.59p
Do. A NV 0.59p
Dixons Group 3p
Drummond Group 2.1p
Dudley Jenkins Group 1p
Dyson (J. & J.) 2.5p
Do. A NV 2.5p
Fife Indmar 0.75p
First Scottish American Tst. 6p
Firth (G. M.) Hldgs. 1.4p
Fitch Lovell 8p
Fleming Mercantile Inv. Tst. 1.85p
Fletcher King 4.75p
Foreign & Col. Inv. Tst. 0.72p
Gardner (DC) Group 1.1p
General Cons. Inv. Tst. 3.24p
Gibbs Mew 3p
Granada Group 4p
Grand Metropolitan 5.5p
Greycoat Group 2p
Greyhound Corp. 33cts.
Hamilton Oil Corp. A Prf. 48.75cts.
Hampson Inds. 1.25p
Hazlewood Foods 1.475p
Heweteon 2p
Hickson Intl. 2.25p
Howden Group 2.57
ICI 18p
Ivory Merchant Developers 6⅞% Cnv. Red. Prf. 1.29178p
Jourdan (Thomas) 1.5p
Kalon Group 0.3p
Kenyon Securities 4.75p
Kleinwort Overseas Inv. Tst. 1p
LIT Hldgs. 0.96p
Law Debenture Corp. 3.75p
Lawrie Group 45p
Leslie Wise Group 1.25p
Lewis's Inv. Tst. 6½% Mtg. Deb. 88/90 3.3125pc.
Lister & Co. 3p
London Intl. Group 4.25p
London Merchant Securities 10% 1st Mtg. Deb. 2018 2.2387pc.
London Securities 0.5p
London Shop 4.85p
Lonrho 4p
Low & Bonar 2.2p
Mainmet Hldgs. 1.5p
Marling Inds. 2.5p
Marshalls Halifax 5.25p
Menvier-Swain Group 2.8p
Mleys 2p
Mountleigh Group 2.5p
Northamber 1.5p
Oxford Instruments Group 1.8p
P & P 1p
Park Food Group 3.6p
Parkdale Hldgs. 1.1p
P & O 5% Pfd. 1.75p
Penny & Giles Intl. 2.12p
Pepe Group 2p
Property Security Inv. Tst. 2p
Questel 2.4p
RCO Hldgs. 2p
Real Time Control 2p
Relyon Group 2.1p
Robinson (Thomas) Group 4p
STC 3p
Sears, Roebuck & Co. 50cts.
Shell Trans. & Trading Do. 5½% 1st Prf. 1.925p
Shoreplus 2p
Slebe 5.06p
Sims Catering Butchers 5p
Smith (David S.) Hldgs. 4.9p
Stewart Zigomala 12.75p
Stoddard Sekers Intl. 1.75p
TSB Group 2.58p
Taylor Woodrow 3p
Texcured Jersey 4.5p
Tinsley (Eliza) Group 2.8p
Tiphook 3.73p
Trevian Hldgs. 1p
Trusthouse Forte 1.78p
Unitech 5.9625p
United Scientific Hldgs. 2.7p
Do. 5½% Cnv. NV Red. Prf. 2.75p
Victor Products 5p
Vinten Group 2.75p
Warnford Invs. 12p
Whewny 0.5p
Wolseo 0.69p
Wood (S. W.) Group 2p
Zetters Group 4.8p
Zygal Dynamics 2p

TOMORROW

BOARD MEETINGS-
Finals:
Allied Restaurants
Amstrad
Halstead (James)
Murray Ventures
Save & Prosper
Sterling Deposit Fund
Tyzack (W. A.)
Interims:
Banner Homes
Siltem (J.)
Guidehouse Group
Harding Group
Lowe Howard-Spink & Bell
Quadrant Group
Sound Diffusion
Ward Group
DIVIDEND AND INTEREST PAYMENTS-
Abbey 3.8p
Aitken Hume Intl. 1p
Burtonwood Brewery 2.45p
CAP Group 1.44p
Crosby (James) Group 1.4p
Electronic Machine 0.3p
Ellis & Everard 3.7p
Eurotherm Intl. 2.2p
Five Oaks Inv. 1.25p
Hobo Group 3.82p
Rexmore 1.25p
Rockwood Hldgs. 0.3p
Southend Property Hldgs. 0.2p
Syltone 7.5p
Thompson T-Line 1p
Tilbury Group 2.4p

WEDNESDAY OCTOBER 5

COMPANY MEETINGS
Electron House, Howard Hotel, Temple Place, W.C., 12.00
Pilco, Mottram Hall, Wilmslow Road, Mottram St. Andrew, Cheshire, 9.30
BOARD MEETINGS-
Finals:
Beckman
Bejam Group
Blanchards
HTV Group
Meanders (John)
Television South West Hldgs.
Interims:
Brown & Jackson
Finlay (James)
Floyd Energy
Grampian Hldgs.
Harrison & Crosfield
Helical Bar
Higgs & Hill
Jerome (S.) & Sons
Laing Properties
Manor National
Martin (Albert)
Plumb Hldgs.
TR City of London Trust
DIVIDEND AND INTEREST PAYMENTS-
Abbey National Bldg. Soc. Fltg. Rate Nts. 1993 £200.16
Annuities 2½% 1.375pc.
Black (A. & C.) 4p
Bradford Property Tst. 10½% Prf. 5.25p
Do. 7% Uns. Ln. 92/97 3.5pc.
British Bldg. & Eng. Appliances 2p
British Gas 5.5p
CRH 7% A Prf. 2.275p
Consolidated 2½% 1.25pc.
Edinburgh Inv. Tst. 5¾% Deb. 1998 2.875pc.
English & Caledonian Inv. 1.8p
Funding 5¾% 2.875pc.
Gold Fields SA 125cts.
M & G Australasian & Gen. Fund 0.8p
Murray Smaller Markets Tst. 1.45p
Scottish American Inv. 58p
Security Pacific Corp. Sub. Fltg. Rate Nts. 1992 $209.24
Treasury 8% Ln. 2002/06 4pc.
Do. 3% 1.5pc.
Watney, Mann & Truman Hldgs. 3¾% Ind. Deb. 1.875pc.
Do. 4¼% Ind. Deb. 2.125pc.

THURSDAY OCTOBER 6

COMPANY MEETINGS-
Sinclair Goldsmith, Howard Hotel, Temple Place, W.C., 12.00
Wholesale Fittings, Plaisterers Hall, 1 London Wall, E.C., 11.00
BOARD MEETINGS-
Finals:
Druck Hldgs.
Galliford
Photo-Me
Witwatersrand Areas
Interims:
Anglo Am. Inv.
Austin Reed Group
Elam
Jacques Vert
Mustarijn Group
Tharsis
Walker Greenbank
DIVIDEND AND INTEREST PAYMENTS-
Adscene Group 2.3p
Associated-Henriques 0.75p
Bampton Property Group 7¾% Uns. Ln. 91/96 3.875pc.
Barbour Index 3.5p
Beepak 2p
Blagden Inds. 3.5p
Bradford & Bingley Bldg. Soc. Fltg. Rate Nts. 1996 £257.65
Colman (E. Alec) Invs. 9½% 1st Mtg. Deb. 87/92 4.5pc.
Davies & Metcalfe 0.8773p
Do. A NV 0.8773p
Greenhall Whitley 7% Ind. Uns. Ln. 3.5pc.
Do. 8⅛% Ind. Uns. Ln. 4.0625pc.
Heath (Samuel) & Sons 4.3p
Hay & Croft Group 1.5p
Johnson Group Cleaners 5.2p
Kuala Lumpur Kepong Berhad M$0.05
Lloyds Bank 5.5p
McMullen & Sons 6½% Prf. 3.25p
Do. 10½% Prf. 5.25p
Mid Wynd Inter Inv. Tst. 1.9p
Mosaic Invs. 2p
Saatchi & Saatchi 6.3% Cnv. Red. Prf. 3.15p
Scandinavian Bank Group 2.62p
Scottish, English & European Textiles 3.7p
Scottish National Tst. Inc. 1.3p
Stat-Plus Group 1.26p
Tomkins 3.15p
Waste Management Inc. 12cts.
Webb (Joseph) 0.8867p
Whitbread 9% Uns. Ln. 97/01 4.5pc.
Wood (John D.) & Co. 2.6p

FRIDAY OCTOBER 7

COMPANY MEETINGS-
Buckleys Brewery, The Thomas Arms Hotel, Thomas Street, Llanelli, South Wales, 11.00
BOARD MEETINGS-
Finals:
Baillie Gifford Japan Tst.
Portugal Fund
Ulster TV
Interims:
Arcolectric
Atlantic Securities Tst.
Barker (Charles)
Denistron Intl.
Gates (Frank G.)
Intl. Inv. Tst. Co. of Jersey
Scottish Television
Seril Cowells
DIVIDEND AND INTEREST PAYMENTS-
AAF Inv. Corp. 2.8p
Arley Hldgs. 1.1p
Banks (Sidney C.) 4.876p
Berisford (S. & W.) 4.5p
Braime (T.F. & J.H.) Hldgs. 2p
Do. A NV 2p
Britannic Assurance 6.8p
Clark (Matthew) & Sons Hldgs. 5.5p
Clarke (T.) 0.937p
Evans Halshaw Hldgs. 3p
Ewart 1.2p
Ford Sellar Morris Properties 1.5p
Francis Inds. 9% Uns. Ln. 94/99 4.5pc.
Godwin Warren Control Systems 7.7p
Halifax Bldg. Soc. Fltg. Rate Ln. Nts. 1992 £128.04
Ingham (George) & Co. Hldgs. 1p
McKay Securities 2.5p
Mallet 1.4p
Metal Bulletin 1.85p
Mount Charlotte Invs. 0.8p
Neill (James) Hldgs. 3.1p
Nordic Inv. Tst. 0.2p
North of Scotland Inv. Co. 0.25p
Owners Abroad Group 0.8p
Pacific Sales Org. 1.25p
Paramba 0.5p
Pramerk Intl. 18cts.
Ree Brothers Group 0.25p
Richardsons Westgarth 0.5p
River & Mercantile Tst. 1.4p
Schlumberger 30cts.
Sennah Rubber 40p
Standard Chartered 12.5p
TI Group 4.75p
THORN EMI 18p
Trencherwood 1.31p
United Kingdom Fltg. Rate Nts. 1992 $175.36
Victoria Carpet Hldgs. 3.08p
Ward Hldgs. 0.5p
Westminster & Country Props. 7p
Yale & Valor 5.7p
Yorkshire Chemicals 3p

SATURDAY OCTOBER 8

DIVIDEND AND INTEREST PAYMENTS-
Regencrest 1.5p
Thorpac Group 0.833p

SUNDAY OCTOBER 9

DIVIDEND AND INTEREST PAYMENTS-
Addison Consultancy Group 0.6p

Trade Fairs and Exhibitions: UK

Current
International Flower Trades Exhibition - IFTEX (01-488 1951) (until October 4)
Alexandra Palace, London

Current
British Footwear Fair (01-739 2071) (until October 4)
Olympia

October 7-9
National Franchise Exhibition (01-727 1929)
Kensington Exhibition Centre

October 7-10
British Designer Show (01-385 1200)
Olympia

October 10-16
International Motorcycle Show (01-385 1200)
Earls Court

October 11-13
International Chemical Industries - CHEMFAIR (01-686 4545)
Heathrow Penta Hotel

October 22-30
British International Motor Show (01-235 7000)
NEC, Birmingham

October 24-28
International Business Show (01-868 4499)
Earls Court

October 25-28
Building Exhibition - BUILDING (01-486 1951)
Earls Court

October 25-27
Fluid Handling Exhibition (01-680 7525)
Wembley Conference Centre

October 27-30
Home and Leisure Exhibition (0253 25252)
Winter Gardens, Blackpool

October 28-29
Cash & Carry Fashion Fair (01-727 1929)
Kensington Town Hall

Overseas Exhibitions

October 5-8
International Furniture, Furnishings & Household Equipment Exhibition - MODERN HOME (01-236 2299)
Hong Kong

October 5-10
Book Fair (01-734 0543)
Frankfurt

October 10-13
Gulf Information Technology Exhibition (01-930 3881)
Dubai

October 11-14
Computer Show (0869 244738)
Moscow

October 13-16
International Fish Farming Techniques, Equipment and Products - ACQUACOLTURA (01-458 4860)
Verona

October 20-31
International Trade Fair SINTRA (01-834 5082)
Seoul

October 26-28
International Electronics Show- INTRON (Dublin 900600)
Dublin

October 27-30
Money Hong Kong Exhibition (0206 45121)
Hong Kong

Business and management conferences

October 3
CBI Conferences: Opportunities in China: who will benefit in the 1990s? (01-379 7400)
Centre Point London WC1

October 5-6
Institute of Administrative Management: Evaluating offices for the 1990s (0689 73333)
The Brewery, London EC1

October 11
Confederation of British Industry/The Royal Institute of International Affairs: The external implications of the single European market (01-930 2233)
Centre Point, London WC1

October 13-14
International Herald Tribune/Oil Daily: The search for stability (01-242 1242)
Hotel Intercontinental, London

October 17
City Research Associates: The changing shape of the financial services market - successful survival beyond 1990 (01-833 1681)
Caledonian Hotel, Edinburgh

October 17-18
International Business Communications: Technology for retail banking (01-236 4080)
Inn on the Park, London W1

October 20-21
Financial Times Conferences: Electronic financial services (01- 925 2323)
Hotel Inter-Continental, London W1

October 20-21
Arthur Andersen & Co/Venture Economics: Corporate Venturing (01-836 1200)
Sonesta Hotel, Amsterdam

October 24
The Economist: 1992 The new Europe - Getting to grips with the competition (01-839 7400)
Park Lane Hotel, London W1

October 25
Leatherhead Food RA: Innovation in the food and drink industries (0372 376761)
Regents Park, London

October 25-26
International Business Communications: Managing LDC debt (01-236 4080)
London Press Centre, EC4

October 31- November 1
Financial Times Conferences: Professional personal computers in the 1990's (01-925 2323)
Hotel Inter-Continental, London W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

Readers are recommended to seek appropriate professional advice before entering into commitments.

CONTRACTS & TENDERS

COMPANY NOTICES

RENTALS

CLUBS

PERSONAL

MANAGEMENT

Power in the boardroom

Lord of all he surveys?

The Beecham pharmaceuticals group split the roles of chairman and chief executive in 1986. Michael Skapinker asks Robert Bauman why he has combined them again

In 1986 Lord Keith of Castleacre, then temporary chairman of the Beecham Group, announced a series of changes in the structure of the company's board, with the aim of ensuring that "no chairman should ever again be lord of all he surveys."

Nine months previously, Lord Keith had led a boardroom coup at the UK-based pharmaceuticals and consumer products group, resulting in the departure of the then chairman Sir Ronald Halstead.

Along with the changes in board structure, Lord Keith announced that an American manager, Robert Bauman, would be taking over as executive chairman. John Robb, who had been appointed chief executive when Halstead left, would stay on as group managing director. Lord Keith described Robb as "a very tough executive."

Tough he may have been, but last month Robb resigned. He said his influence had been eroded since Bauman's arrival and that he did not want to "draw a big salary for doing nothing." So is Bauman, a former aerospace executive and author of a gardening book called Plants as Pets, now lord of all he surveys?

"I don't think I am," he says from his office at Beecham's headquarters on the western edge of London. He does, it is true, "think that strong leadership is important. I'm not aware of organisations that are run well by committee."

But, he says, the other changes announced by Lord Keith in 1986 are still in place and help to provide an effective check on an executive chairman.

These included an increase in the number of non-executive directors from three to six. Following the retirement from the Beecham board of Lord Keith and Denis Allport, former chairman of Metal Box, this has now fallen back to four, but Bauman says the group intends to appoint two replacements. Following Robb's departure, there are eight executive directors.

In addition, the three board committees set up at the time of his appointment are still in existence. These are the audit committee, the remuneration and nomination committee and the finance committee.

Robert Bauman: advocate of non-executive directors

All three are composed entirely or largely of non-executive directors. Bauman admits, however, that they are under strength and will remain so until the new non-executives are appointed.

But whatever checks there are, is it not preferable for companies to have both a chairman and a chief executive rather than just an executive chairman as Beecham now has? Bauman says he has worked in companies where the two roles are combined and in organisations where they are separate.

He argues that the titles that people hold are less important than the way in which the company operates. "I think what's very important is to have a good board and good non-executive directors as part of that board. That's an important part of the balance of power in the company," he says. "I have authority over me. I have the non-executives supervising what I'm doing."

He adds that "you can have a chief executive or managing director who's very strong and a chairman who does nothing – and vice-versa. It's the professionalism and the calibre of people. It's not the title."

In addition, he says, Beecham does have a non-executive vice-chairman in the form of Sir Robert Clark, chairman of the Hill Samuel Group.

Lord Keith was abroad on holiday and unable to comment on Robb's departure and its consequences for Beecham. Robb, however, is quite happy to provide his own assessment of how much power Bauman now has.

"As far as I'm concerned Beecham in November 1985 decided to split the role of chairman and chief executive. What's happened with my departure is they've gone back to combining the two. Whether that means he's lord of all he surveys I can't say, but everyone can draw their own conclusions," he says.

How effective are Beecham's board committees? "Well, I think it's very early days yet, frankly," says Robb. "These committees were set up around two years ago and that's a very short period of time to say whether they are an effective check on the business or not. All I can say is that non-executive directors have full-time employment elsewhere and there is a limit to how much policing they can do, if that's the word."

As to what set-up he thinks is best, Robb says that he would "strongly support a structure where there is a strong chief executive and a non-executive chairman. I firmly believe that should be the split."

He agrees that it is difficult for an executive chairman and chief executive to work together, as he and Bauman had been doing at Beecham. "That's what a lot of the disenchantment with my position was," he says. "One headhunter has said to me that what Beecham ended up with was not a chairman and chief executive but two chief executives. I'm not saying that – that's what a headhunter said to me."

Robb draws on his own experience as a non-executive member of the boards of the National Freight Consortium and STC to argue the case for a non-executive chairman.

"You really need somebody who's spending more time on the business than the average non-executive director. That's where I would suggest that the non-executive chairman comes in because he will, by and large, spend more time on the business than the average non-executive director would do. I think that's the sort of safeguard that's in the interest of the shareholders," he says.

Given that Bauman has now got overall executive control, did he consider calling himself chief executive and suggesting that the board appoint a non-executive chairman?

"I did not give it a tremendous amount of thought," Bauman says.

He says, however, that there was some discussion of the idea. How much discussion? "It went by very quickly," he says.

Professor Günter Peise: many students have accepted jobs with companies where they had been on placement

Industrial graduates 'doubly qualified'

David Marsh reports on an Anglo-German training initiative

British industry has been much slower than West German companies in taking advantage of a joint training initiative to prepare graduates for industrial jobs in countries throughout the European Community.

This is the view of Professor Günter Peise, head of the European Business Programme at the Fachhochschule (polytechnic) in the ancient university town of Münster, who is one of the guiding lights behind the seven year-old programme.

Nevertheless, Peise is full of praise for a partnership between the Fachhochschule and Humberside College of Higher Education in the UK. Courses launched by the partnership in 1981 give students the valuable opportunity of acquiring a "double qualification" in business studies diplomas which are valid in the two EC countries.

Peise feels that British industry's relative lack of interest in the scheme reflects the UK's lagging enthusiasm for European co-operation.

In contrast, he points to the scope of the Münster-Hull programme having widened further last year when institutes from France and Spain – the Ecole Multinationale des Affaires in Bordeaux and the Centro Europeo de Gestion de Empresas in Madrid – joined in.

The courses, open to a new intake of an average 20 students per year from each country, provide business studies in two languages and in two countries over a four-year period. Students gain industrial training and experience during two six-monthly placements with companies in their home country and abroad.

Including this summer's graduates, 166 students – half each from Britain and the Federal Republic – heve graduated from the Hull-Münster programme since it was set np.

Peise says most of them have gone on to good internationally-oriented jobs, often with companies they got to know during placement courses.

Although the EC sponsors about 500 joint study courses in more than one country, the Münster programme is one of only three which offer participants a long stay abroad and a double qualification.

"West German firms up to now have been more willing than British ones to offer students on the course a six month placement," says Peise. Companies run their eye over qualified graduates with a view to employing them later, he says.

West German companies which have offered placements include Daimler-Benz, Continental Gummi, Hoechst, Westdeutsche Landesbank, BASF, Siemens and Robert Bosch. Although smaller British companies have joined in the scheme, it has been harder to encourage participation by larger UK groups of the same stature as the German ones, says Peise.

Rosina Jones, the course leader at Humberside dealing with the business studies programme, says that British companies which have joined in so far include Beecham, Clarks Shoes, ICI, ICL, and the Ted Bates advertising agency. But she confirms that UK groups have been less interested than than those in Germany. "If British industry wants to gear up towards 1992, we have courses which they should be exploiting," she says.

UK companies often want to take sandwich course students on for a full 12 months rather than the six months offered by his programme, according to Peise. "British industry has not got the message," he says. "My colleagues in Hull tell me that British industry is still a bit insular."

According to Peise, the quality of West German students on the course is generally higher than those who apply to Hull. There are about 20 to 25 applications for each place on the Fachhochschule course. The pace of British applications has been somewhat less frenetic; 340 students applied for 18 places last year.

"In Britain, people tend to say, 'Where is Hull?'" says the Münster professor. "This is changing, bnt very slowly . . . At Oxford and Cambridge, students learn good table manners, but they don't get the same opportunities as they do here."

On the evidence of conversations with students attending the Münster courses, the international programme certainly offers plenty of opportunities. "It's the only programme offering practical experience and a theoretical background," says fourth year student Frank Jung, who has taken a job with BASF.

"The good thing about the company placements is not just that you get the experience. You also make contacts with decision makers," says Holger Kalvelaga, also from Germany. He has secured a job with Daimler now that he has finished his course.

"By starting to work in a foreign country as a student, you gain a lot personally – learning to stand up for yourself, adapting to a different way of thinking," says Fiona Anderson from the UK, also in her fourth year.

"It's a breakthrough in broadening horizons," says Robin Lange, a former British civil servant who has Austrian family connections and enrolled for the course last year to seek a more international view on life. "About 50 per cent of this year's fourth year students have already signed contracts with companies ahead of their graduation this summer," says Peise.

The jobs are mainly marketing and financial control – the chief course subjects. Information technology has been added to the curriculum under the four-country scheme started last year.

Students on the international courses study alongside people doing purely national courses. The two-country scheme does not try to compete with the national courses by imparting as much concentrated information on subjects like law or financial regulations in a particular country. Instead, it gives a broader view.

Peise says his courses are contribnting to "an integrated Europe." He adds: "We need people who can co-operate in firms in more than one country – knowing not only the language, but also the different mentalities."

Lucia di Lammermoor

GRAND THEATRE, LEEDS

It could only happen in the producer-dominated 1980s that the operas of Bellini and Donizetti should be looked upon as problem dramas, and that opera companies should so often fail to get them to work.

For their first attempt at Donizetti's *Lucia di Lammermoor* Opera North have borrowed the production originally mounted by Welsh National Opera a couple of years ago. The staging was given a muted welcome when it was new and it would seem from the credits in the programme that a substantial amount of re-thinking was done before its presentation in Leeds. But to judge from the lacklustre show offered in the Grand Theatre on Saturday, the company have not really put their heart into the piece.

Visually the evening is a depressing affair. There are many ways that the atmosphere of Walter Scott's chill Scottish landscape might be depicted on stage and leaving the cast to clamber up and down a rocky incline in the murk seems to me one of the least imaginative of them. The only sign that a director and lighting designer have been involved in the production at all comes when somebody switches on a red light every time the word 'sangue' is mentioned.

Better to do as Karajan once did, when he was directing the opera with Callas as Lucia: simply put the spotlight on the prima donna and leave it at that. All the drama of this work is concentrated in the human voice anyway and so, if you have a soprano who can make the audience believe in and care about the leading lady, the whole performance will take wing.

Opera North had Valerie Masterson and (despite a few intensely affecting moments) their *Lucia* remained resolutely earthbound. One might have hoped that this singer, so moving in the past as fragile heroines like Violetta or Mimi, might repeat her earlier successes. But the coloratura writing of a Donizetti opera calls for vocal technique of a different kind and, as the evening progressed, so the suspicion grew that she was never quite on top of all the notes in this score.

Among much that was tentative (especially at the top of the voice) just a few passages of simple cantilena, sung on a plaintive thread of tone, stay positively in the memory; but for those one must be grateful, as they were the only moments of the performance that brought the listener any real involvement with the opera.

Over the rest hung the dread air of routine. There was a hot-blooded Edgardo from the young Spanish-American Jorge Pita, an unfinished technician vocally, but an eager stage presence. Keith Latham was a rough-and-ready Enrico and there were reliable supporting appearances by Matthew Best as a sanguine Raimondo and Barry Banks as Arturo. In the pit, Clive Timms' direction was outwardly energetic and positive. Altogether, a shame that Donizetti has not caught Opera North at the top of their present fine form.

Valerie Masterton in Lucia di Lammermoor

Richard Fairman

London Classical Players

ELIZABETH HALL

The concert on Thursday in the South Bank's enterprising and instructive "Beethoven Plus" series sounded at first rather more like Beethoven Minus: minus, that is, the warmly cushioned, homogenised textures and sonorities that modern instruments give us, at least by comparison with their period counterparts.

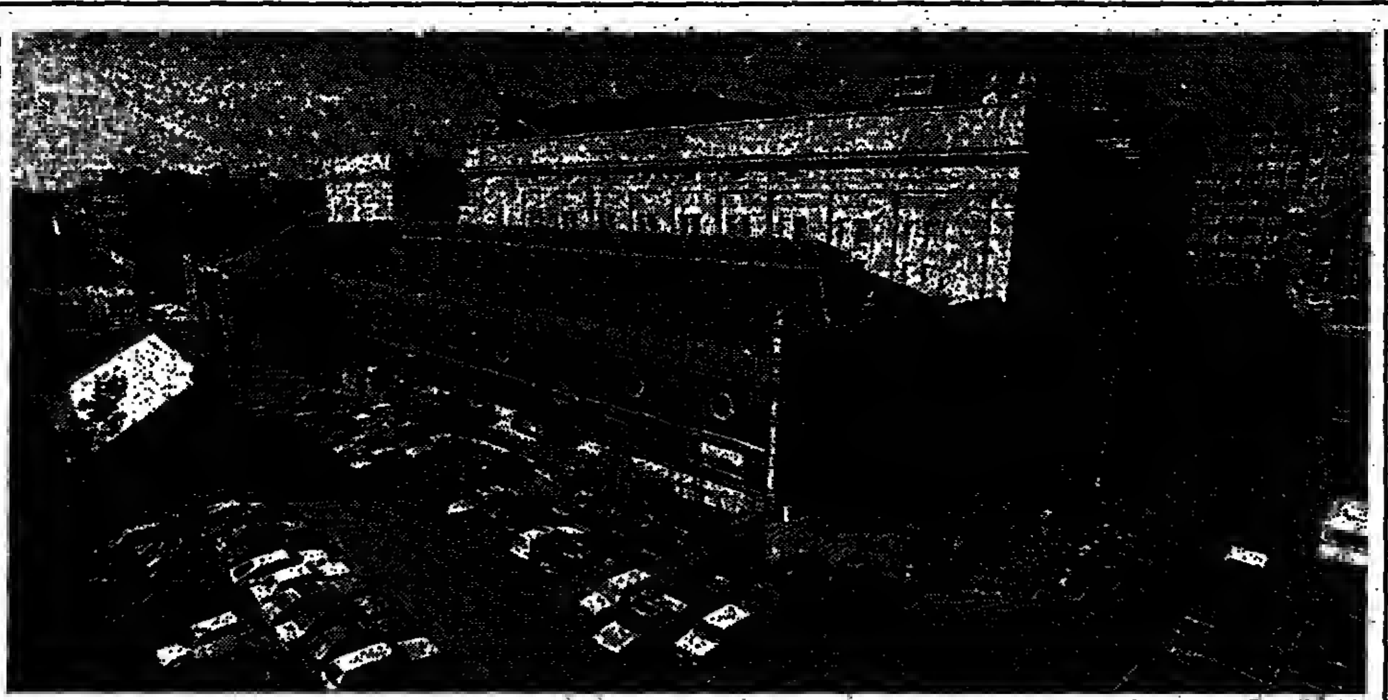
Roger Norrington began with *Leonore* No 3 overture, a brisk, taut reading that seemed almost to lay the music bare with its light, airy phrasing, its lean strong tone and its sharp woodwind. Possibly the rapt nature of the music following the trumpet calls was forfeit in this no-nonsense reading but the raw edge to the sound in the final C major jubilance, especially at those urgent syncopations, said something about the meaning of the music that goes unheard in ordinary, "modern" performances.

Spohr's Second Symphony proved a welcome rarity, an amiable and ingenious piece with a touch of pathos, or perhaps rather an air of gentle yearning, apt to its key, D minor.

Mr Norrington's reading of the Schubert Great C major seemed initially to be cutting it down to size, or somewhat less. A case can be made for a quickish slow introduction, even if there are things in it that call for a degree of gravitas impossible at this speed. The main part of the movement, too, fairly scampers along, too rapidly to allow some of Schubert's expressive harmony to make much effect or the accompanying figures to be clearly articulated. Yet it was a spare, muscular reading, its accents sharply marked, and developing a thrilling momentum at the middle of the movement — sustained right to the end, where Mr Norrington resisted any temptation to make the final statement the grand peroration that Schubert may well have intended.

There was no shortage of lyricism in the andante, which profited from some exquisite woodwind playing and from just one moment of real luxuriance, where the cello theme near the end must have touched Mr Norrington's heart sufficiently to make him relax his otherwise inflexible tempo; the scherzo pounded along, with little space for subtleties or rhetorical effect. Finest of all was the finale, securely, indeed thrillingly played, with a grandeur and a sweep that else more cautious performances. Like the first movement, it was risky; and unlike the first movement, it worked, magnificently.

Stanley Sadie



The Royal Opera House, Covent Garden, and the adjoining land it is planning to redevelop

Trevor Humphries

ARCHITECTURE

Planners face landmark issue

Colin Amery on the Royal Opera House redevelopment scheme

The imminent judgment from the Court of Appeal that may affect the progress of the development of the Royal Opera House once again focuses national attention on important architectural and cultural issues.

Covent Garden, as an area, has long been a crucible for changes in approach to town planning. Its present appearance and general popularity reflects well on those who fought in public and in private for the conservation of the main buildings and the general enhancement of the entire neighbourhood. Sadly, however, the Covent Garden Community Association is now in expensive legal dispute with Westminster City Council over the redevelopment of the Opera House. This struggle is overshadowing an important and significant development that could enhance the cultural life of the capital and the nation.

It is worth elucidating the arguments behind the current debate. Lord Jenkins, the former minister for the arts, wrote in this paper last week a polemical plea for a public inquiry into the pros and cons of the whole redevelopment. He also asked for the Government to "shoulder the whole cost of a new plan." This is an unreal suggestion. The one certainty in the whole Covent Garden affair is that the present Government will not contribute anything beyond the gift of land made 12 years ago by a Labour administration.

However, the present matter before the Appeal judges is a consideration of the two grounds that the Covent Garden Community Association is relying upon to quash the resolution of the Planning and Development Committee of Westminster City Council (adopted by the Council on July 29, 1987) that planning permission and listed building consents be granted for the redevelopment of the Royal Opera House. The two grounds are that financial considerations are not material matters to be taken into account when considering planning matters and that the council had insufficient information before it when it reached its decision.

The first is the really contentious one, although (with the second) it was convincingly dismissed by Mr Justice Webster in the High Court on February 8 this year. Because the Royal Opera House has to find its own funds for any redevelopment, its proposals, which have been aired before in these pages, necessarily involve a considerable commercial element on the site that will help to provide money for the redevelopment and improvement of the 19th-century opera house.

Should financial aspects of this kind be considered as material matters when it comes to the granting of consents? Only the judges can settle this point. It is very hard to see how financial considerations, which will fund improvements to public facilities, can be ignored. Should the judges decide that such aspects cannot be taken into account, then an appeal to the House of Lords looks likely to be followed by Government-sponsored legislation to amend the planning laws.

Whatever the legal deliberations produce, the redevelopment of the Royal Opera House can only be delayed, not stopped. There is now an entirely new regime at Covent Garden: Sir John Sainsbury, chairman since September 1987; Mr Jeremy Isaacs, the new General Director; and a new post — Managing Director of the Royal Opera House Development — filled by Mr Richard Ensor.

While judges ponder, this new team has taken the opportunity to make some substantial revisions to the existing development plans. One of the key changes that Mr Isaacs has made is a matter of timing. The Opera House will not now close until 1993 — when it will close down for three years to allow the whole redevelopment to take place in one go. In the early part of the next five years there will be ample time to plan in detail all the necessary changes to the existing development.

It is no secret that any redevelopment will be a mixed one. There are now substantial public benefits in the scheme prepared by the architects Jeremy Dixon/BDP in the form of shops, restaurants and promenades. It is likely that this aspect of the scheme will be enhanced. Mr Isaacs hopes that, after a period of quiet revision and a resolution of the legal battle, the Opera House will be able to speak freely about its revised plans.

Throughout this uncertain period there is one constant factor: the design by Jeremy Dixon/BDP. He is a very open-minded architect with apparent infinite patience, ready to respond to a changing brief. It is worth bearing in mind that the Opera House is not developing simply for itself. The scheme will complete Inigo Jones's Piazza — a factor of incomparable benefit to the whole of London.

It is a tight site, and whatever the redevelopment achieves neighbours are always going to be sensitive. Surely, however, it is time for the local association to stop their awkward behaviour — seeing every move of the opera house Development Board in the worst possible light. They could join the Opera House in fighting off the proposed large car park that Westminster wants to include in any redevelopment; they could try to see the value of an expanded opera house in terms of employment and the enrichment of the whole of the Covent Garden area.

There is undoubtedly a new robustness at the Opera House — and a regime that believes it can find the money for its projects. The costs continue to rise — currently around £150m. It is going to be expensive to transform the buildings and secure their future at the heart of London.

It is interesting to compare the future of Covent Garden with the plans currently on display at the Royal Festival Hall of the "first 21st century opera house" — the Opera Bastille in Paris. This is due to open next year at a cost of some £200m, entirely found by the French Government as part of its determination to make Paris the cultural capital of 20th-century Europe.

Mozart at the Theatre

OLD VIC

The posters outside were announcing the forthcoming production of *The Tempest* but for the first time in many years the audience at the Old Vic had come for an evening of music rather than drama. The theatre is trying out its potential as an occasional home for musical events and on Wednesday night offered a concert of Mozart symphonies and concertos.

The house makes an elegant venue: the inside of the restored auditorium looks handsome with the lights up, the central chandelier itself providing an imposing focus of attention. It is easy to imagine chamber recitals working well in this friendly ambience, though for the initial event the choice had fallen — perhaps to draw the widest public support — on a programme for chamber orchestra.

With all the players placed behind the proscenium arch, there might have been a danger of losing the sound upwards but in fact it seems to be thrown well forward and the orchestra sounded sharp and immediate. Indeed, the acoustic generally is on the dry side — not unpleasantly so although it was enough to show up the intonation of the Ambache Chamber Orchestra strings as less polished than it ought to be.

This smallish band (five or six first violins, four each lower strings) plays without a conductor. Although tuning might cause them some problems, ensemble ironically does not, and they gave spruce, clean accounts of the First Symphony and Prague Symphony of Mozart. There were few insights into the music but also few unwanted interpretative glosses.

In the early B flat Concerto, K238 and the Coronation Concerto, K503 the soloist was Diana Ambache, the founder of the orchestra and a generally reliable pianist. The concert had drawn a decent number to the theatre, but it remains to be seen whether the omnipresent Dr Jonathan Miller (coincidentally President of the Ambache Chamber Orchestra and Artistic Director at the Old Vic) will turn this one-off event into a series.

Richard Fairman

SPONSORSHIP

Aid for the RSC

At last some good news for the Royal Shakespeare Company. In the last few months it has taken a critical pummelling while its arch rival, the National Theatre, has revelled in the optimistic publicity which has accompanied its new director, Richard Eyre, into Sir Peter Hall's seat.

Now, English Estates, which develops industrial and commercial sites, mainly in inner cities, has shown its confidence in the RSC by channelling £125,000 into an educational programme. In this area, too, the National had stolen a march, with sponsorship from Lloyds, (a £250,000 injection which makes it the NT's biggest business friend), Sainsbury and W.H. Smith to finance educational projects. Now the RSC can fulfil the vital role of building up a future audience while bringing much-needed creative stimulation to some of the more economically depressed parts of the country.

There will be more workshops; more projects; more teachers' courses — in fact a whole range of extra services for schools, details of which can be obtained from the RSC's Education Offices at the Barbican and Stratford. One with most potential is "Choices," pioneered in New York high schools, which aims to introduce Shakespeare students to the choices faced by directors, designers and actors when rehearsing the plays.

English Estates became involved with arts sponsorship a year ago. It has now considerably boosted its budget, to around £400,000, and put together a package with the help of the Association for Business Sponsorship of the Arts (ABSA). Traditionally, ABSA has avoided being used as an organising broker between business and arts groups — it does not want to ruffle the feathers of the PR consultants — but it will advise if asked and inevitably gets sucked in to suggesting schemes. It also advised on the Digital dance package.

English Estates is Tyneside based and is supporting the RSC season in Newcastle, the Northern Sinfonietta, the Royal Liverpool Philharmonic, and the London Mozart Players, among others. It is latching on to another American idea — that the arts have a vital role to play in reviving the inner cities.

★

The Arts Council is looking for sponsors. These days the Council hardly moves without first calling in consultants and it has asked Strategic Sponsorship to examine the areas of its activities which might be attractive to sponsors and to recommend a sponsorship structure for the Council. The consultants are expected to report by the end of the month.

It is surprising that the Arts Council has not acted earlier. Mr Luke Rittner, its secretary general, formerly headed ABSA and for years there has been talk of appointing a sponsorship specialist to advise Council clients on how to set about attracting sponsorship money.

The move is all part of the Council's long-term aim of funding at arms' length and of playing much more of an innovatory, consultancy, and strategic role in the arts life of the nation.

These days the Council runs few arts events itself but there is talk of co-ordinating an orchestral tour, which would welcome a sponsor. To a great extent it is up to Strategic Sponsorship to come up with the growth opportunities. The Arts Council had to do something. It is telling all its clients to build up alternative sources of revenue: it must practice what it preaches.

★

Last week the Arts Council announced its first award under its Incentive Funding Scheme. The Arvon Foundation, which promotes poetry and new writing generally, is to receive an extra £36,500 over three years to match, in the ratio of £1 to every £2 from the Foundation, a fund-raising initiative which will finance bursaries for new writers and acquire the Foundation's Yorkshire freehold.

Even among insiders there is confusion about the two Government-funded schemes, which supplement the basic financing of the arts. The Arts Council has £3.5m to distribute this year to its clients under the Incentive Scheme, which is designed to bolster their own revenue-generating activities. When applications closed on Friday the Council was anticipating 150 requests from its clients for money from the Scheme. (Small arts organisations will be offered consultancy advice if they have problems devising a money-producing initiative.)

However, the Incentive Scheme clashes with the Business Sponsorship Incentive Scheme (BSIS), which also has £3m to spend and which is administered by ABSA on behalf of the Minister for the Arts. This gives cash, at the rate of £1 to every £3 put up by sponsors, to arts groups who attract interesting new sponsorships. Aid from new sponsors merits £1-for-£1 BSIS support.

Unfortunately an arts organisation cannot put any of the aid it might attract from BSIS towards the cost of the programme it is devising for, say, a money-making merchandising exercise, computerising its box office or any of the other schemes which might qualify it for an award from the Arts Council. The Government does not want to reward initiative twice over. This is a nonsense and the confusion of having two similar schemes, even though they start from very different premises, cries out for one coherent, streamlined approach to incentive funding.

★

Unilever was traditionally an active buyer of contemporary art to enhance its office environment but, for its size, it has not been a major sponsor of the arts. This may be changing. It is back on the art supporting trail and is sponsoring the Whitechapel Show to the tune of £15,000.

The Show dates back to 1901 and is the Whitechapel Gallery's commendable attempt to serve local artists by giving them an annual exhibition. For many years the quality of the exhibits was in decline but now there are more artists in East London than anywhere else in Europe and the quality is rising again. So much so that Unilever has already bought one of the paintings.

The Whitechapel is a good example of an adventurous arts organisation which succeeds in attracting sponsors. Mont Blanc is backing three exhibitions over three years, starting with a Richard Deacon show this month, and CitiBank is supporting a Miró exhibition next year.

★

The key to successful arts sponsorship is to identify new trends and to get in there early. This is the achievement of *Moosehead*, the lager-like ale made here by Whitbread. It is looking for young, independently-minded consumers, who once having discovered the beer will remain loyal to it. So the fairly modest sponsorship budget is linked to the artistic fringe and to monied opinion formers.

Two "arts" areas currently attracting attention are fashion and photography. Moosehead is spending £30,000, its highest arts investment yet, to enable eight young British designers to show off their work in London Fashion Week. Without the aid they would not be able to have their designs modelled before the world's leading buyers. Last November, Moosehead sponsored Paul Smith's first UK fashion show.

Next month Moosehead is backing a major exhibition of the photographs of Helmnt Newton at the National Portrait Gallery, along with a show of Newton nudes at the Hamilton Gallery.

Antony Thorncroft

SALEROOM

Images of Suprematism

Sotheby's stole a march on its arch rival Christie's in the summer by holding the first major auction in Moscow, selling contemporary Soviet art for more than £2m. Now Christie's is hitting back on Thursday with its most representative sale ever of Russian art. It includes objects from the time of Peter the Great to the 20th century.

The highest prices are likely to be paid for the avant-garde books, prepared between 1910 and 1925. They include an example of Kasimir Malevich's *Suprematism 34 Risunka*, a lithographically-printed work containing most of the pivotal images of the Suprematism art movement between 1915 and 1920. It is regarded as the "Bible of Suprematism" and should sell for at least £75,000.

In contrast one plate from the "Yacht" service is expected to realise around £2,000. This was one of the most famous services of porcelain made for Catherine the Great in the late 18th-century by Saxon craftsmen imported from Meissen. The other great service of her reign, the "Arabesque," is represented by two plates which should sell for roughly the same sum.

Meanwhile, in New York on Thursday Christie's is selling western avant-garde paintings, collected by the eccentric millionaire Edward James. He was a sponsor of the surrealists and on offer are a classic 1936 work by Paul Delvaux, showing a half nude woman in a moonlit landscape (estimate $300,000), and one of Dali's most famous artifacts, his "Lobster telephone," which combines two totally unrelated objects to form what Dali termed an object "useless from a practical and rational point of view." It should sell for $25,000.

Antony Thorncroft

ARTS GUIDE

September 30-October 6

MUSIC

London

Beethoven Plus is a series of concerts between September 15 and December 10 which seeks to set the composer's music in the context of his own time. The work of over 30 of Beethoven's contemporaries will also be featured. Royal Festival Hall, Queen Elizabeth Hall, Purcell Room. (928 3191).

London Philharmonic Orchestra conducted by Kurt Masur. Concert performance of Beethoven's Fidelio, with Eva-Maria Bundschuh, Klaus König, Donald McIntyre. Royal Festival Hall (Mon) (928 3191).

City of London Sinfonia directed by Richard Hickox, with Montserrat Caballé (soprano). Mendelssohn, Berlioz, Beethoven. Barbican Hall (Tue) (638 8891).

Royal Philharmonic Orchestra conducted by Erich Leinsdorf, with Barry Tuckwell (horn). Brahms, Mozart, Dvorak. Royal Festival Hall (Tue) (928 3191).

Royal Philharmonic Orchestra conducted by Stuart Bedford, with James Lisney (piano). Glinka, Grieg, Sibelius, Tchaikovsky. Barbican Hall (Wed) (638 8891).

BBC Symphony Orchestra conducted by Sir John Pritchard. Concert performance of Schönberg's Moses and Aron. Royal Festival Hall (Wed) (928 3191).

English Chamber Orchestra with Ian Watson (conductor/harpsichord), Jack Brymer (clarinet), José Luis Garcia (violin). Bach, Handel, Mozart, Vivaldi. Barbican Hall (Thur) (638 8891).

Berlin Philharmonic Orchestra conducted by Herbert von Karajan. Schönberg, Brahms. Royal Festival Hall (Thur) (928 3191).

Orchestra of the Age of Enlightenment directed by Gustav Leonhardt, with Anna Bylsma (cello). Haydn, C.P.E. Bach, Mozart. Queen Elizabeth Hall (Thur) (928 3191).

Paris

Moscow Virtuosos with Vladimir Spivakov as conductor and soloist, and the Orfeon Donostiarra choir. Mozart. SallePleyel (Mon) (45638873).

Ensemble Intercontemporain's soloists: Pierre-Laurent Aimard, Irina Kataieva, Alain Neveux (piano). Zimmermann, Barraque. Radio France (Mon) (42301515).

Karlheinz Stockhausen. Chamber music. Opéra Comique (Mon, Tue, Wed) (42861220).

Berlin Philharmonic Orchestra conducted by Herbert von Karajan. Schönberg, Brahms. Théâtre des Champs Elysées (Wed) (47203637).

Orchestre de Paris conducted by James Conlon. Mahler (6th symphony). Salle Pleyel (Wed, Thur) (45630796).

Marie-Claire Alain (organ), young soloists conducted by Rachid Safir. Bach, Buxtehude, Grunenwald, Alain, Duruflé. Saint-Germain-des-Pres church (Thur) (42301516).

Pierre Amoyal (violin), Anne Queffelec (piano). Schumann, Fauré, Brahms. Musée d'Orsay (Thur) (40494978).

Vienna

Wiener Mozart Orchester in historical costume. Mozart. Sofiensaele (Wed).

Berlin Philharmonic Orchestra conducted by Herbert von Karajan. Schönberg, Brahms. Musikverein (Mon).

Alban Berg Quartet and players from the Amadeus Quartet. Brahms, Schubert. Konzerthaus (Mon, Tues).

Vienna Symphony Orchestra conducted by Rafael Fruhbeck de Burgos, with Alicia de Larrocha (piano). Mozart, Tchaikovsky. Musikverein (Wed, Thur).

Kuchl Quartett in Haydn, Beethoven and Mozart. Musikverein (Wed).

Frankfurt

Frankfurt Alte Oper, Orpheus Chamber Orchestra and Heinz Holliger (oboe) and conducting Mozart, Strauss, Ives and Tchaikovsky.

Munich Philharmonic Orchestra conducted by Sergiu Celebidache Berlioz, Schubert and Tchaikovsky. (Tues)

Rome

Villa Medici, Eco e Narciso. A series of concerts sponsored jointly by Rai's third programme and the Rome daily La Repubblica. Chamber Choir of Milan in A. Gentilucci's Two Airs from Moby Dick for soprano, choir and six instruments (1988), Petrassi's Mottetti pel la Passione, and Monteverdi's Missa in Illo Tempore, with soprano Victoria Schneider and (Mon) pianist Herbert Henck playing Zimmermann's Abgeschiedenheit (first performance) and Cage's Music of Changes, and (Tues) soprano Luisa Castellani with the Roman Guitar Quartet playing Purcell, Pennisi, Gabrielli and Clementi (6544601).

New York

Cincinnati Symphony conducted by Jesus Lopez-Cobos, with Bella Davidovich (piano). Reger, Chopin, Schumann. Carnegie Hall. (Tue) (247 7800).

New York Philharmonic conducted by Zubin Mehta, with Yo-You Ma (cello). Dvorak, Bruckner. Avery Fisher Hall, Lincoln Center (Wed) (799 9595).

Dallas Symphony Orchestra conducted by Eduardo Mata conducting, with Vladimir Viardo (piano). Rachmaninov, Stravinsky. Carnegie Hall. (Wed) (247 7800).

Itzhak Perlman, violin recital. Mixed programme. Carnegie Hall. (Thur) (247 7800).

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich, with Frederica von Stade (mezzo-soprano). Beethoven, Mozart, Ravel, Franck. Kennedy Center Concert Hall (Thur) (254 3776).

Chicago

Chicago Symphony Orchestra conducted by Sir Georg Solti, with Susan Dunn (soprano), Simon Estes (bass). Verdi. Orchestra Hall (Thur) (435 8122).

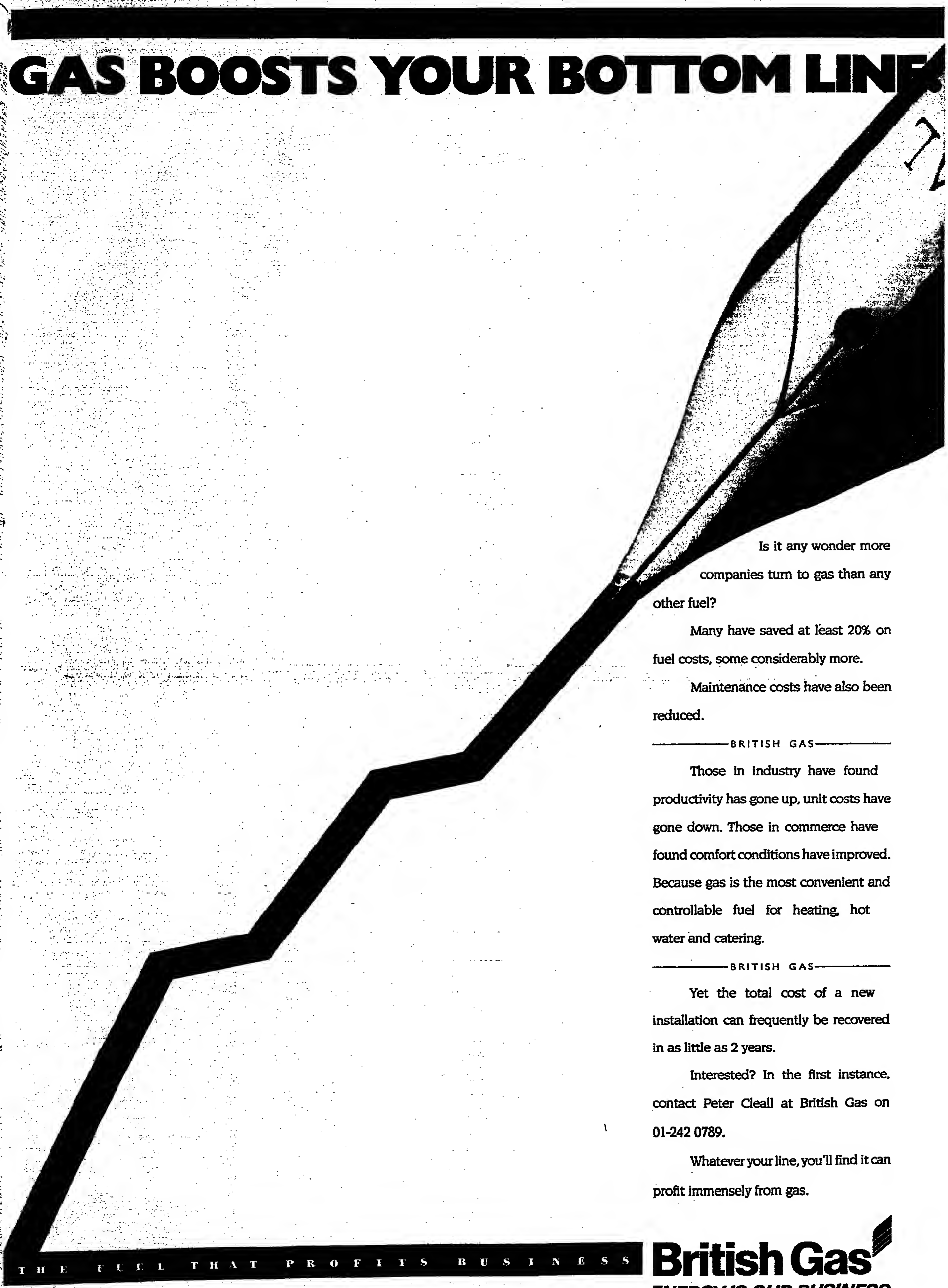
Tokyo

Alfred Brendel (piano). Schubert. Hitomi Memorial Hall (Mon) (353 2242).

Theo Adam with Rudolf Dunckel (piano). Schubert's Die Winterreise. Suntory Hall (Mon) (235 1661).

Sviatoslav Richter (piano). Hitomi Memorial Hall (Thurs) (235 1616).

Josef Suk Chamber Ensemble. Vivaldi, Telemann, Handel, Dvorak. Casals Hall (Thurs) (291 2525).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Monday October 3 1988

President Gorbachev

ALMOST EVERYONE in the West wishes Mr Gorbachev well, and will therefore be relieved that he appears to have come out firmly on top in the latest Kremlin power struggle. The results were registered by the meetings of the Central Committee of the Communist Party on Friday and of the Supreme Soviet on Saturday.

Those meetings were dramatic in their suddenness, and in the sweeping changes of personnel at the top of the Party and the State which they announced. They were not dramatic in the sense of offering any public clash of views. This was old-style Soviet politics: the real drama had been played out in advance behind closed doors.

Never mind. Mr Gorbachev would not be where he is if he were not a skilled practitioner of old-style Soviet politics. New rules can only be introduced and consolidated if their advocates first win a decisive victory under the old rules – just as, after the death of Stalin, his heirs would never have been able to inaugurate a less brutal era of Soviet politics had they not themselves carried out a ruthless putsch against Beria and summarily executed him. At least the present generation has left those methods behind.

Dramatic presentation

A more serious doubt is whether Mr Gorbachev's victory is as decisive as it seems. For all their dramatic presentation, the changes so far announced bear some marks of a carefully negotiated compromise. Certainly neither of the two leaders generally credited with seeking to hold back perestroika has been eliminated.

Mr Yegor Ligachev is no longer responsible for ideology, but the extent of his real control of this key sphere of activity has been doubtful for some months. To some observers, the influence of Mr Alexander Yakovlev, nominally in charge of propaganda and regarded as one of Mr Gorbachev's closest allies, has seemed much stronger. Both Mr Ligachev and Mr Yakovlev are reassigned to other duties (Mr Ligachev to agriculture, hitherto presented as the priority for economic reform), while their former responsibilities are combined under the little-known newcomer to the politburo, Mr Vadim Medvedev.

It is by no means clear, as yet, that Mr Ligachev has lost his position as number two in the Party, with the right to chair meetings of the Secretariat in Mr Gorbachev's absence; and the degree of freedom and glasnost that the media will enjoy without Mr Yakovlev's protection is equally uncertain. As for Mr Viktor Chebrikov, though he loses the chairmanship of the KGB, he is at least technically promoted by being brought into the Secretariat, thus following precisely the curriculum vitae by which his predecessor, the late Yuri Andropov, climbed to supreme power. One can only wonder how much conviction he will bring to his new task of overseeing the Soviet Union's transformation into a "state based on law".

None the less, the overall effect of the changes amounts to a recapture of the initiative by Mr Gorbachev and a much-needed reassertion of the dynamism of perestroika at a moment when it had appeared to be flagging badly. The changes include the removal from the politburo of several of the Brezhnevite old guard; the drastic slimming down of the party apparatus; the apparent downgrading of ideology; the subordination of the KGB to the ministry of the interior (and, within the KGB, of internal repression to external espionage/counter-espionage); and finally the assumption of the presidency by Mr Gorbachev in readiness for its transformation into an executive role.

Mr Gorbachev is still very much in power, which is good as far as it goes. But it does not in itself resolve either of the fundamental problems he confronts. These are that economic reform can only work if ordinary people are convinced of its benefits and throw themselves wholeheartedly into the effort, although no tangible benefits will be forthcoming until it does work; and that political reform allows demands to surface, especially among the non-Russian Soviet nationalities which, if granted, would be liable to call into question the whole basis of the leadership's power, if not the very existence of the Soviet Union itself. It remains unclear whether Mr Gorbachev has the recipe for solving either of these profound dilemmas.

Lessons from Piper Alpha

THE INTERIM technical report into the Piper Alpha North Sea oil platform disaster provides a dreadful catalogue of errors which show that the safety systems under the general supervision of the Department of Energy did not work.

Full apportionment of blame for the explosions and fires in which 167 men died must await the outcome of the public inquiry next year. However, the department has wisely published the preliminary report by Mr James Petrie, its director of safety for the oil industry, so that some of the most urgent lessons can be learned without delay.

The most important conclusion to be drawn from the report is that this was a catastrophic disaster with a chain of causes which public policy and safety regulations can and should prevent. It appears not to have been in that category of accidents which, however distressing, have to be accepted as a normal risk in hazardous occupations.

In the offshore oil and gas industry the risks of human error have long been recognised. In spite of the tightest precautions, some accidents will happen. The task of the safety system and those who supervise it must be to ensure that the damage is contained, and does not run wild.

Failed equipment

At Piper Alpha the first explosion at 10 pm on July 6 was serious but not catastrophic. It caused a fire which burned for 22 minutes, before a main gas pipe ruptured, enveloping the whole structure in a fireball. During this period, while many of the crew remained alive in the accommodation module, emergency pumps and automatic sprinklers failed to operate, emergency power and communications systems did not work and, most damning of all, the two life-rafts which were launched failed to inflate.

Although it is too early to raise questions of negligence, it is already clear that Occidental Petroleum, the US company which operated the platform, and the Department of Energy will have some difficult questions to answer. One of the first questions which needs to be put to Occidental is why it allowed the platform to be operated by a shift in which the three senior men were all deputies. This is a particularly important question since the platform routines were disrupted by maintenance work and it was being operated in a relatively unusual mode, with gas pressures 2½ times their previous level.

The report strongly suggests that the accident was caused by the night control-room staff's attempt to start a pump which they did not know was undergoing maintenance.

Elaborate systems

One question for the department is whether overall safety regulations were stringent enough if they allowed the platform to operate while the automatic fire-fighting system had been partly disabled and switched to manual operation. Other questions include whether it should have permitted a design which allowed the control room to be disabled by a gas leak explosion elsewhere on the platform.

However these questions are eventually answered, there is little evidence that safety in the North Sea has been skimped to save money. The systems used are elaborate, and did work well to contain a gas explosion in the Brent field in the northern North Sea only the previous day. On the other hand, renewed pressure to remove oversight of North Sea installations from the Department of Energy to a strengthened Health and Safety Executive cannot be dismissed.

Although an independent report in 1980 recommended that the department should retain this responsibility, a strong case can be made that oversight of safety should be entrusted to an independent body. This has been strengthened by the secretive way in which the department dealt with its investigation into a previous explosion at Piper Alpha in 1984.

Raymond Snoddy on the rush of takeover bids among publishing groups

A chapter of acquisitions

Publishers from all around the world were startled this summer by Mr Eric de Bellaigue's analogy. The publishing analyst told the International Publishers Association Congress in London that the civilised art of producing books and magazines was actually like the oil production business.

Although more than geography may separate the North Sea from the literary salon, both businesses, he suggested, involved the exploitation of exclusive but wasting assets, were international in scope, noticeably subject to takeover bids and above all dependent on luck, if dry wells or deficient authors were to be avoided.

It is often cheaper, Mr de Bellaigue reminded his audience, for an oil company to buy a rival with proven acreage than risk developing some themselves.

"For a firm wishing to invest in, say, legal publishing, it could be an act of statesmanship to pay 40 times earnings for an existing company than try to build up lists of its own from scratch," the CIBC Securities stockbroker continued.

In reality the mood in the international publishing business has been closer to gold rush than anything so sedate as the oil business over the past couple of years. Famous names have been auctioned, predators swooped and potential victims have sought the safety of friendly embraces. All the while, the big names of the industry such as Bertelsmann of West Germany, Hachette of France and Mr Rupert Murdoch's News Corporation have bought and grown.

In the past two years, 32 significant publishing acquisitions by British companies have been logged in the US alone, although only seven in the opposite direction. More than $5bn in publishing acquisitions are expected this year without counting Mr Rupert Murdoch's agreed $3bn bid for TV Guide and Triangle Publications in the US and Mr Robert Maxwell's fiercely contested $2.5bn bid for Macmillan, the US publisher.

"All around us there are signs of increasing concentration and increasing internationalisation in publishing," said Mr Peter Davies, chief executive of Reed International, last month.

Reed has been so enamoured of publishing that it has sold virtually everything else to concentrate on it and is now rather nervously sitting on a pile of more than £800m in cash, painstakingly searching for the right acquisitions while at the same time looking over its shoulder to make sure it in turn is not being stalked by a larger predator.

International Thomson, the Canadian oil travel and publishing group wanted Associated Book Publishers and its Sweet & Maxwell legal imprint so badly that last year it paid £210m – 51.2 times earnings.

Mr Maxwell's conviction that the publishing world of the future will be dominated by the top 10 companies is only matched by his desire to become one of them.

Pearson, the publishing and industrial group which publishes the Financial Times, was more prim and proper when it made its move last month. It announced an "engagement" to Elsevier, the leading Dutch publisher – in reality a hard-nosed share swap that makes it more difficult for Mr Murdoch, who has an 18 per cent stake in Pearson, or anyone else to take the company over.

But why should such a traditional business as publishing be so very desirable? And is the increasing trend towards globalisation in the industry more a tribute to megalomania and the fear of being last in the rush than the precise search for economies of scale or true synergy?

Publishers may not be as big as oil companies but there is increasing recognition of the many attractive characteristics of the business.

- It is not particularly capital intensive yet it generates impressive cash flows
- The leisure and information sector of which it is part continues to grow at above average rates
- It is a business of franchises and brand loyalty which, if properly tended, can last for generations.

But can such a business really break free of its bonds of culture and nationality?

The answer from Mr Peter Diamandis, chairman of Diamandis Communications, the American magazine company bought earlier this year by Hachette in a $712m deal, is an emphatic yes.

"Globalisation is real and it's the future," he says, pointing to the "unbelievable success" of the French fashion-based magazine Elle in the US. It has a circulation of 850,000 which is rising rapidly.

Elle is now published in 10 countries but it is the concept that crosses frontiers. The editorial content is completely separate in each country.

He says there has been no culture shock at all since his bosses have been the Concorde-hopping Frenchmen Mr Jean-Luc Lagardère, the Hachette chairman, and his deputy Mr Daniel Filipacchi.

Peter Diamandis is planning to test the globalisation theory further by launching the US magazine Flying, aimed mainly at private pilots, in Europe and the French magazine Femme is scheduled to cross the Atlantic next spring.

Mr Davies at Reed can also point to his emerging "international brands" in the magazine business.

Essentials, itself a Reed response to the successful incursions of Bertelsmann in the UK women's magazine market with Prima and Best, is now taking the battle to continental Europe with French and Italian versions of the magazine through joint ventures or franchising arrangements.

The growing dominance of the English language in business and science and the importance of the US as the largest and most homogeneous market for information has also been a powerful stimulant to publishers whose first language is English.

It has left companies like Hachette and Bertelsmann little option but to tackle the US market.

The economies have already started to flow from Pearson's $283m acquisition earlier this year of Addison-Wesley, the American education publisher, according to Mr Tim Rix, chairman of the new Addison-Wesley Longman group.

Longman Inc of White Plains, New York, a publisher of college textbooks for the humanities and social sciences, has a turnover of around $12.75m. Already $2m has been saved in a single year by merging distribution, ordering and administration with Addison-Wesley.

More important in international terms has been Addison-Wesley's leading role in the "hard sciences" and, in particular, computer science.

"Between us we have a leading global network of marketing and distribution," Mr Rix said.

Like Pearson, Reed believes there are powerful reasons for treating publishing as a global activity, although the advantages differ widely in different segments of the market.

"It would be a mistake to lose sight of the individual nature of the reader or customer in a euphoria of dealmaking and empire building," Mr Davies warned last week at a London seminar on the publishing industry.

Certainly there is not widespread agreement on the mechanisms at work, the wisdom of increasing concentration or even the strategy to be adopted by the would-be global media player.

Mr John Reidy, media analyst at Drexel Burnham Lambert, a company involved in the financing of some of the mega-media moves, believes the process is being driven by the weakness of the dollar and the opportunity this gives European publishers to acquire prime US assets cheaply.

"I don't see publishing texts for the third grade in US schools having tremendous application to what you do in the UK and France," Mr Reidy said.

Mr Michael Turner, president of the Publisher's Association and chief executive of Associated Book Publishers, now part of International Thomson has different worries.

It is, he believes, a moot point whether the ability to mobilise large sales forces outweighs the disadvantages of size.

Mr Turner fears there is a danger that the new publishing giants are in effect creating new conglomerates interested in minimising risk and guaranteeing earnings and with top management unlikely to have the particular skills needed to run such a diversity of businesses.

"Between a mass market paperback and a data base there is no true comparison," Mr Turner adds.

The dilemma of larger and larger publishing companies moving ever further from their entrepreneurial roots is highlighted by Mr Andy Zimmerman of consultants Coopers & Lybrand in New York. Most of the innovations in the media have come from small companies taking on the traditional players until they are bought out – for instance the Home Box Office pay television channel in the US now owned by Time.

There also seems to be a disconcerting number of routes to global media power and influence with some major players nonchalantly selling bits that other publishers desperately want to get their hands on.

International Thomson, for example, recently sold its consumer magazines and is concentrating on less fashion-conscious and more reliable specialist information sectors.

Mr Conrad Black, proprietor of the Daily Telegraph and a string of small North American dailies, is sticking to newspapers because that is what he knows about.

Reed, so far at least, sees itself as a print empire. Apart from a stake in British Satellite Broadcasting, the UK's direct satellite venture, it seems to have no large ambitions in television.

Bertlesmann, probably the world's largest publisher with revenue of $4.7bn from publishing last year believes: "We are a media business. We think we should be in all the media." The company is starting to learn about broadcasting with an investment in RTL Plus, the German satellite channel.

Both Mr Maxwell and Mr Murdoch, rivals in almost everything, agree about the importance of being in both the electronic and the print media and in the importance of global markets to the future of the media.

After confessing to a Washington audience last month that he didn't really have a very detailed strategic plan and that his 30 acquisitions on four continents had each arisen from unique and unanticipated events, Mr Murdoch asked himself three questions in public about globalisation of the media.

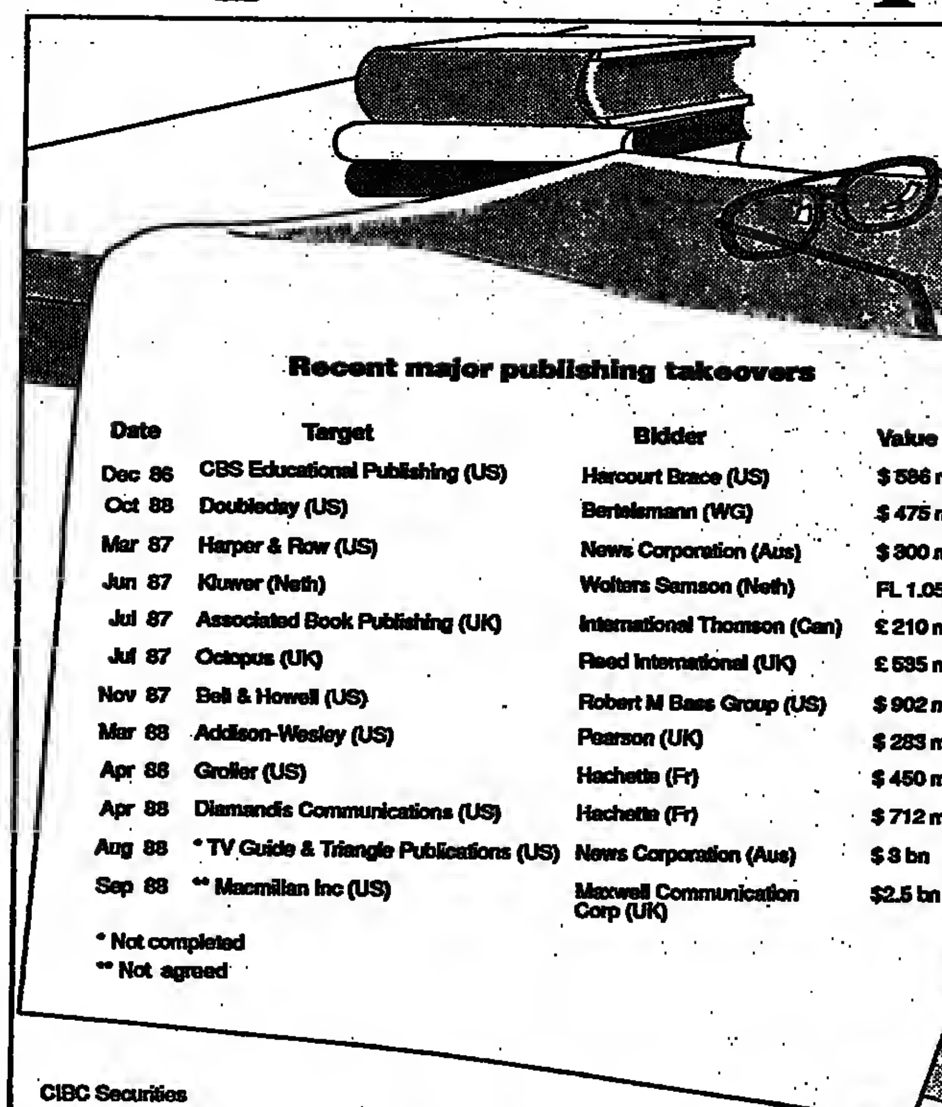
Is a global communications network a reality? "My answer unequivocally is yes," said the man who owns five national newspapers in the UK.

Are there really going to be worldwide media networks? "My answer is yes, both print and electronic," said the man who owns Twentieth Century Fox studios and Fox Television, the would-be fourth US network.

Is it really going to be possible for an advertiser to achieve, in practice, a single order with the media of his choice across the world?

"Again my answer is yes," said Mr Murdoch, who plans to launch four channels of satellite television in the UK in February.

And although copyright, like oil field franchises, does run out, unlike oil, the streams of words and images seem limitless, as limitless as the desire of ambitious men to control them.



Recent major publishing takeovers

Date	Target	Bidder	Value
Dec 86	CBS Educational Publishing (US)	Harcourt Brace (US)	$ 586 m
Oct 88	Doubleday (US)	Bertelsmann (WG)	$ 475 m
Mar 87	Harper & Row (US)	News Corporation (Aus)	$ 300 m
Jun 87	Kluwer (Neth)	Wolters Samson (Neth)	FL 1.05 bn
Jul 87	Associated Book Publishing (UK)	International Thomson (Can)	£ 210 m
Jul 87	Octopus (UK)	Reed International (UK)	£ 535 m
Nov 87	Bell & Howell (US)	Robert M Bass Group (US)	$ 902 m
Mar 88	Addison-Wesley (US)	Pearson (UK)	$ 283 m
Apr 88	Grolier (US)	Hachette (Fr)	$ 450 m
Apr 88	Diamandis Communications (US)	Hachette (Fr)	$ 712 m
Aug 88	* TV Guide & Triangle Publications (US)	News Corporation (Aus)	$ 3 bn
Sep 88	** Macmillan Inc (US)	Maxwell Communication Corp (UK)	$2.5 bn

* Not completed
** Not agreed

CIBC Securities

Leighton Morris

Washington's new look

Those who arrive in Washington by way of the National Airport get a splendid view of the city's monuments on the short cab-ride downtown. As of this week, it may be even better to arrive by train. Union Station, Danial Burnham's grandiose Beaux Arts design just north of Capitol Hill, has emerged from a $160m refurbishment to provide what he intended: a gateway worthy of the world's major capital city.

It is not quite what he had in mind because nowadays railway stations have to earn their keep as commercial real estate. Burnham originally provided a few amenities designed mainly for Congressmen: a billiard hall, a Turkish bath and swimming pool, a reading room, a shop which specialised in engraving monograms on silver cigar cases – and a mortuary.

The new station is populist, with 24 fast food outlets, five more dignified restaurants, a nine-screen cinema and more than 100 boutiques. Commerce is on three levels, connected by a maze of curving, balustraded staircases. The effect is a little like the new Covent Garden installed under the dome of the Pantheon. Commerce is dwarfed, though, by Burnham's giant design, and the main concourse (the biggest in the US), a marble floor under a 96-foot coffered vault, remains uncluttered.

The station had been a place of dust and squalor for decades. In 1981 it was in danger of falling down, and the main buildings were closed. Now the marble is polished, the coffers regilt, and somehow the baggage feels lighter. There was an all-day civic re-opening last week with fireworks, balloons to rival a Republican convention and two competing bands. The acoustics are terrible, but band music is not likely to be a regular service.

OBSERVER

The station will help the revival in train travel which has been going on for some time: Amtrak's trains remain slow and old-fashioned by European standards, but they are a comfortable, low-stress alternative to the shuttle, and only about an hour slower downtown to downtown. And, as Michelin would say, the station is now worth the detour.

"Someone has to take the blasted torch back to Greece."

Tebbit's past

■ Norman Tebbit's forthcoming autobiography, Upwardly Mobile, reveals a little of how the Government learned to adjust its statistics. Tebbit picked up the knack from the Financial Times where he joined the prices room straight from school.

To construct the 30-share index, he writes, they used a "wheezy clattering hand-powered adding machine" and log tables. One day they discovered that they had erred. They had set the index two points too high on hectic dealings. "We decided to say nothing and to ease the index down a fraction at a time as conditions permitted. With life's usual perversity we encountered more than a week of quiet trading with the market mostly firm, during which the FT Ordinary Share Index inched its way slowly down."

Some boasting follows. The pre-war Gold Share index was out of date, this being 1947 or 1948. The young Tebbit, single-handedly and with no instruction, "constructed the new logarithmically-based index which to my relief behaved itself perfectly during its trial period and was then substituted for the old index. I have often wondered since how many graduate statisticians, market specialists and computers would be needed for a similar operation today!"

Tebbit decided that the paper was becoming too intellectual for his tastes, and left.

Missing Gromyko

■ Sir Rodric Braithwaite, Britain's new ambassadorin Moscow, has yet to present his credentials. He was due to go through the honours with President Gromyko last week when Gromyko was suddenly fired. He could have been received by Pyotr Demichev, the first deputy president, but he was fired as well.

Braithwaite has a bit of experience of these matters. He was first secretary (commercial) in the Moscow Embassy in 1964 when Nikita Krushchev was bundled out.

It is possible that he will now present his credentials to President Gorbachev. That would be an unusual distinction; British diplomats believe, however, that he is more likely to be received by Anatoly Lukyanov, Gorbachev's new deputy and the man most responsible for redrafting the Soviet constitution.

As for Gromyko, he was about to go to Pyongyang, no doubt to reassure the North Koreans that Moscow was not about to open full diplomatic relations with Seoul, despite the Soviet successes at the Olympics. Yesterday Tass announced that the visit was postponed.

Noisy buses

■ Despite by-laws which mean that people carrying blaring radios on buses can be fined, several London bus routes are now playing non-stop pop.

The cacophony is the result of a link-up between London Buses and Capital Radio, the more raucous of London's two commercial radio stations. In 1986 one bus was wired up experimentally to provide Capital Radio programmes in rather bad stereo. Surveys showed 75 per cent of passengers liked it, London Buses claims, and only two per cent said they would get off and catch another bus. So it has been extended.

The by-laws aimed at controlling passengers' radios provide no protection. "As the operator of the bus, we have a licence to do it," says London Buses. "Capital Radio and ourselves are symbols of London. In any case, drivers and conductors have been told to switch it off if people complain."

That is easier said than done. Only one of the vehicles involved runs with a conductor, and talking to the driver is not encouraged. The routes affected so far are C1, W3, 55, 45, X68, 253, sometimes 73 or 88, and 38 on Sundays.

Women's lib

■ An ad in a Surrey women's club asks: "How old is your dish-washer?" Somebody has written underneath: "He'll be 52 next week."

Gibraltar: its involvement in the IRA case was fortuitous

Ashley Ashwood

Avoiding a full judicial inquiry

Louis Blom-Cooper reflects on the Gibraltar inquest into the deaths of three IRA terrorists

If the British government is justifiably satisfied by the verdict of lawful killing reached last Friday by the Gibraltar coroner's jury in the case of three IRA terrorists shot dead by the SAS, then it will be equally satisfied by the manner by which it was achieved. A thorough inquest was converted into an extensive investigation of the events surrounding the deaths of the three without the full panoply of a judicial inquiry.

An inquest is the law's normal method of determining in a public forum the cause of an unnatural death. It is specifically not designed to provide a definitive way of probing the perplexities posed, as in this case, by the alchemy of politics, the security forces and threatened terrorism in a British colony over whose sovereignty two EC countries are in disagreement.

The coroner is the sole arbiter of the witnesses who appear before him. Any legal representation of interested parties is at his discretion and their participation in the inquisitorial process is a privilege, not a procedural right. More important, statements and documents called for by the coroner from one interested party are not disclosable to another — cross-examination of a witness by the legal representative of the victims' families is like shooting in the dark. But then coroners' law was never intended to facilitate the inquisitiveness of the deceased's relatives or public curiosity. And there is rarely any need to extend the ambit of the jurisdiction of a coroner's court.

But cases that arouse instant public interest and intense media attention do demand a more expansive inquiry so as to satisfy a justifiable public demand to know, if not all, at least a good deal more than can be achieved from the unreasoned and perhaps unreasoning verdict of a coroner's jury. A full judicial inquiry would, unless its terms of reference were heavily circumscribed, penetrate any veil drawn over uncomfortable actions, and in its detailed report would lay bare all the material evidence and subject it to critical analysis. If there was to be any public scrutiny of those torrid events of March 6, the coroner's inquest in Gibraltar provided the least potentially damaging injury to the Government's point of view. The investigation successfully sealed off any embarrassment there might be from a wider judicial inquiry.

The coroner, Mr Felix Pizzarello, commendably stretched the limits of his jurisdiction in his evident desire to demonstrate the thoroughness of his proceedings. But he could never elevate the status of a coroner's court beyond its limited, defined jurisdiction. Sitting in a colonial territory, his desire to hear evidence from Spanish police witnesses about Spanish surveillance (or lack of it) of the terrorists' drive down the Costa del Sol was thwarted by the politics over the colony's sovereignty.

A suspicious mind might conclude that the British Government gleefully accepted the Spanish Government's disinclination to allow any Spanish citizen to give evidence before the coroner which might thereby accord recognition to the colony's status — particularly since it was reported that the evidence was in conflict with that given by the SAS soldiers involved in the operation.

If that was a happy coincidence it was another reason why the government was happy to leave any inquiry to a colonial coroner.

The attempt by the lawyer for the victims' families to persuade the coroner to dispense with a jury seemed odd. Although it was purportedly on the ground that publicity saturation rendered any juror incapable of coming to the case unbiased, the best hope for a verdict of unjustifiable killing would be from untutored good men and true. (All 11 of the jurors were male because qualifications for jury service for women in the colony is anachronistically restricted.) The coroner wrongly ruled that he had no discretion in the matter. But he would have ordered a jury in any event, had he thought that he had any say.

There was a deliberate move also in Gibraltar not to enhance the status of the inquest.

The Chief Justice could have ordered the inquest to be conducted by a high court judge, but chose not to do so, as much for practical reasons as for any grounds of policy. Gibraltar in any event has only one high court judge. Everything was done to avoid, as far as possible, the inquest being conducted other than as a routine investigation of a cause of death.

The case is likely to revive the recommendation of the Brodrick Report, as long ago as the early 1970s, that where there are peculiar features of a death that excite public interest there should be a power to remove the inquest from the coroner's court to a more suitable forum. The Scots have a method of dealing with such cases by way of their fatal accidents legislation.

There would have been nothing at all to prevent the Government from setting up a public inquiry to be held in the United Kingdom — nothing that is, other than an assessment of what might have been revealed beyond what could have been expected within the coroner's inquest.

Apart from satisfying demands for an uninhibited investigation there would have been other advantages. The inquiry would have attained a higher degree of thoroughness, simply because its jurisdiction would not have been trammelled by the law relating to coroners or to procedural rules. Its enhanced status would have carried a heightened public acceptance of its ultimate report and its findings.

It would, moreover, have relieved the Gibraltarians of the disruption of their lives and the intense security arrangements imposed on them. After all, the tracking down of the IRA terrorists and their subsequent deaths were hardly of Gibraltar's making. The involvement of the tiny country was fortuitous.

The reporting of the actual shootings, the televisual attention during the months awaiting the inquest and the press coverage of that inquest, have thrown up a host of problems in media-government relations. The misinformation that emanated from Whitehall on that fateful evening last March, in contradiction to what was being locally reported which accurately revealed the absence of any explosives on the terrorists or in their abandoned car, calls for some explanation.

The methods used by TV programmes in advance of the inquest has attracted critical comment about the propriety of such media activity. Thames Television's inquiry by independent assessors will need to allay public suspicion that techniques which would be frowned on if practised by authorities of the state are being employed. Suspicions of chequebook journalism, and of journalistic arm-twisting and of mischievous testimony from eye-witnesses featured during the months from March to September.

The coroner's jury's verdict of justifiable homicide operates to exonerate the SAS soldiers of any unlawfulness in what they did, and will stifle any reasonable call for further inquiry. But the political and legal arguments that have encompassed the Gibraltar inquest will assuredly rumble on.

Guilty policies — what they are

By Samuel Brittan

A visitor to Berlin during last week's Fund-Bank meetings would have had to be thick-skinned indeed not to be uneasy at what he witnessed. For instance, there was the opportunity to hear the world's best symphony orchestra playing music that was in its time revolutionary, but we had to go in behind lines of security police and posters accusing the IMF of Third World deaths and starvation. Then, not far into East Berlin, on the usual tourists' jaunt, novices were startled to have to dodge goose-stepping troops parading outside the memorial to the unknown soldier. The Berlin where my father once studied medicine has vanished beyond recall.

I must resist the temptation to speculate on matters German and instead ask the question whether Western governments have cause to be guilty about Third World poverty.

We can certainly dismiss the crude attack of the International Counter Congress, also meeting in Berlin on capitalism and all its works, with its insular appeal to countries to turn back from world markets and look inwards. If only Marx had been living to denounce this left wing infantilism as only he could. But at the other end of the opposition spectrum there were ideas which overlapped with those espoused within the IMF and World Bank.

For instance, the Development and Peace Foundation cited US and German bankruptcy law which could provide a model for sovereign debt. (Living With Sovereign Debtors; Development and Peace Foundation, Lantenbergstr. 30, 5300 Bonn.)

But one does have to ask more searching questions. Contacts with world markets have enlarged opportunities in Third World countries. There are imponderable questions about the wider effects of contacts with Western values and technology. But it is more useful to cite three different kinds of policy, not of capitalism but of Western governments, which do hit the Third World.

● Protection. Studies cited by that well known radical dissident Nigel Lawson, at a demo known as the Development Committee, suggest that protection costs developing countries more than twice the amount they receive in aid.

● Arms Sales. It takes two to tango and Third World governments were rightly condemned by the IMF managing director Michel Camdessus for giving arms priority over social needs. But government heads such as Mrs Thatcher who promote deals like Britain's much-vaunted £1bn arms agreement with Malaysia have also something to answer.

● Structural budget deficits. An undoubted effect of the US and other budget deficits is to raise real interest rates and inflate the costs of both debt service and new finance. A different policy mix, with tighter fiscal policy and lower interest rates, would help developing countries as well as investment in the industrial world.

All three major policy errors hit consumers and citizens in the countries practising them as well as the Third World. They are promoted by special interest groups whom the more excitable demonstrators are too unsubtle to pinpoint.

Where do the banks come in? "If the IMF and central banks had not stepped in with rescue packages there would have been more debt forgiveness, but more defaults and more bankruptcies by financial institutions." The implication was that this might have been quite a good thing. The person speaking was no demonstrator at all, but a top insider with strong free market leanings.

Banks can surely now be left to make their own deals with sovereign borrowers

His words throw an interesting light on Ten Misconceptions About the IMF. This is an excellent Fund publication which deserves to be better known. But when it says that the Fund does not bale out banks, it is being legalistic.

The Fund has co-ordinated and led debt packages since 1982. Of course the original impetus (apart from US political fears about Latin America and above all Mexico) was the fear that a collapse of major banks would snowball into a world depression.

The view — common to the free market right and the radical left — that the banks, who fell overboard to offer their loans, should have been left to face the music, is attractive. But the risks to the world economy were probably too large and non bail-out stabilisation policies were too untried to take the risk.

Six years later, however, the banks have had ample opportunities to provide for bad debts and most have done so. They can surely be left to make their own deals with sovereign borrowers and let governments step back a bit.

Such settlements will involve massive debt write-offs, however disguised. There was a memorable hospitality cruise on the Lake Wannsee when the redoubtable chairman of the Commerzbank, Walter Seipp, entertained his wardroom guests by thundering: "I have not worked 16 hours a day for 40 years so that some Argentinian playboy can salt away money in Zurich."

He was neither more nor less moral than the more new look Alfred Herrhausen of the Deutsche Bank, who has a more flexible stance. But Mr Herrhausen has on his side that deity beloved by Prussian philosophers, namely history.

There are, however, two missing elements in the plans both of the reformers within the Fund and Bank and the more respectable radicals. One is a recognition that if there are to be positive resource transfers to the developing countries, either the latter will have to become more attractive to private investors; or Western taxpayers will have to dip into their own pockets, as the Japanese seem willing to do. It cannot all be done just by making banks suffer so that we all have to pay for our own concert tickets at the next annual meeting.

Secondly, and even more important, excessive concentration on debt relief risks distracting attention from the internal reforms which middle income and poor countries will have to undertake if they are to embark on self-sustaining growth. Write-offs there will have to be. But, as one financial statesman at the centre of the whole debt effort remarked to me, these are at most a necessary and certainly not a sufficient condition for a real attack on the poverty of the Third World.

LETTERS

The trade deficit represents a supply side failure

From Mr Henry Neuburger.

Sir, Professor Maynard rejects my view that the trade deficit represents a supply side failure (Letters, September 28). His misfortune is that his letter was published on a day when the trade figures showed not only a substantial overall deficit but exports running 7 per cent below the level of last autumn. Whatever one may think of the import figures, this surely must be caused by supply side failure.

Of course the growth rate of the British economy has been rapid recently — as it could have been at any time that the Government chose to adopt an expansionary fiscal policy. The indicators of supply side success to which Professor Maynard refers, however, show that the British economy was able to produce with less labour, not that it could produce more.

As many have suspected over the last eight years, the "productivity miracle" has not survived into a period of rapidly rising demand. The final test of a successful supply side policy is enhancing the total production of the economy, not finding means to keep some of its resources idle.

Henry Neuburger,
21 Northchurch Road, N1

Objectives in total quality management training

From Mr Colin Williams.

Sir, I have no argument with Mr J.H. Rogerson's assertion (Letters, September 28) that the Cranfield Institute of Technology and other UK organisations provide world class management training facilities. While we at British Telecom make extensive use of these facilities, in the increasingly competitive and international environment in which we operate we need to draw on new techniques and experience from the widest possible sources.

In the case of our drive towards total quality management (TQM), in the early phases of the establishment of the process we drew heavily on the experience and ideas of a number of well-known and highly respected US gurus — the people who "invented" total quality management.

Having established a TQM framework, during the past three years we have had excellent support from a number of British consultants and valuable input from one or two UK business schools.

Quality management is a new subject, not just for companies such as BT, but also for many European universities and business schools. A major objective of the European Foundation for Quality Management is to increase awareness of its importance among those institutions. Two British universities now have chairs in quality management and both the Foundation and British Telecom will be encouraging all UK educational establishments to include this subject in their curricula.

Colin Williams,
Director, Quality and Management Systems,
British Telecom Centre,
81 Newgate Street, EC1

Construction depends on a national framework of standards

From Mr J.D. Maiden.

Sir, Mr Alan Bartlett (Letters, September 26) applauds the proposal to move to a more locally-led drive on training to meet skill shortages. I would remind Mr Bartlett that the abject failure of this approach before 1964 was the major force behind the introduction of the Industrial Training Act.

Whilst the approach outlined by Mr Bartlett may appear attractive to those industries where mobility of labour is less acute and the level of skills less variable than in construction, I can say with certain knowledge that in construction the removal of a central regulatory body covering training standards, the development of new techniques and central registration are doomed to failure. Every effort must be made to improve current delivery mechanisms and the customer must influence the output. But if we are to compete on equal terms with the workforce of mainland Europe then the "corner shop" approach is not good enough.

Because of the unique nature of the construction industry there is a clear need for a strong central body able to co-ordinate the training of a tenth of the nation's skilled manpower. A move away from the present arrangements would undermine a major industry.

Such an industry cannot be serviced by a multitude of well-meaning but totally inappropriate community initiatives. Construction needs a long-term strategy which is designed around a national framework of operational standards but is at the same time flexible enough in delivery to meet fluctuating demands, regional differences and company needs. This strategy is well advanced and too radical a change could set the industry back yet again.

J.D. Maiden,
Construction Industry Training Board,
24-30 West Smithfield, EC1

'Environment policies must be founded on technical knowledge'

From Mr David R. Cope.

Sir, The force of your editorial ("Testing the ozone," September 30) will have been totally negated for anyone with a modicum of chemistry by the mention in the last paragraph of "rain forests that mop up carbon dioxide from chemicals such as chlorofluoro-carbons."

This howler is unfortunate for there is much of value in your observations. It is also, however, indicative of a wider problem.

If the environment, as the Prime Minister has argued, is to be one of the most pressing issues of the last decade of the 20th century, the debate on policies must be founded on adequate technical knowledge. There is clearly a need to upgrade the technical quality of environmental education, but the Prime Minister was also right to emphasise the vital role of scientific research. There is, of course, a resource allocation issue here about which her message was less reassuring.

For the industrial production process, one of the most critical issues will be the balance struck between action based on proven scientific causal relationships and action based on the so-called "foresight" principle where a postulated relationship is so dire in its consequences if proved true, that action is justified in advance of the proven relationship. The correct striking of this balance will again require technically-informed debate.

Your observations also underplay the role that the market could play in ensuring higher environmental standards at minimum cost. For example, in the field of air pollution, the recent EC agreement on emission from large combustion plants, coupled with the impending increase in the number of enterprises emitting significant quantities of sulphur and nitrogen oxides, following electricity privatisation, offers a unique opportunity for some form of emission reduction trading between them.

In many other areas of environmental concern, such as rural development, the creation of market rights, perhaps vested in some form of Joe Rogaly's "gemeinschaft" groupings, offers a way of internalising some of the environmental externalities without involving the over-heavy hand of the state.

David R. Cope,
UK Centre for Economic and Environmental Development,
12 Upper Belgrave Street, SW1

FINANCIAL TIMES
Monday October 3 1988

Janet Bush on Wall Street

A healthy appetite for junk

AS DREXEL Burnham Lambert strives to maintain its reputation and minimise the risks of being found guilty of the Securities and Exchange Commission's insider trading charges or of a possible criminal prosecution, its vision of a corporate America financed by junk bonds remains intact.

Drexel's public relations and legal assault has been frenetic. While television commercials have been running suggesting that the company helped find a cure for cancer, its attorneys have been working furiously to try and remove the tough Judge Pollack assigned to examine charges against Drexel by the SEC and shooting off subpoenas seeking testimony from potential prosecution witnesses.

True to his muscular reputation, the Judge last week went ahead without the US Attorney's office and blocked these attempts to gather testimony.

None of these manoeuvrings seem to have affected investors' appetite for junk bonds or the willingness of company managements to finance highly-profitable leveraged buy-outs using high-yield paper.

Even the hint recently from Representative John Dingell of the House Energy and Commerce Committee that more charges could ensue after his committee's investigation of Drexel's activities in the junk bond area (not included in the SEC's mammoth charges) has not deterred them.

Mr Kenneth Urbaszewski, long-time manager of the high yield bond fund run by Kemper Financial Services of Chicago, says the charges against Drexel have not given the junk bond market "any black eyes."

In the first nine months of this year, the total invested in his fund has risen from $500m to $960m. Over the past three weeks alone, another $100m has poured in from investors who do not appear worried about the SEC v Drexel.

The Kemper fund was ranked the top high-yield fund last year by Lipper Analytical Services as well as the three years and five years ended December 31, 1987.

In the first eight months of this year, according to Lipper, Kemper's fund is down to 23rd in the rankings although still second from August, 1987, to August, 1988.

Top of the list is the Executive Investors High Yield Fund run by First Investors Corp which is up 17.70 per cent. At the bottom of the group of 79 funds is the FBL Series run by Farm Bureau Mutual Funds of Des Moines, Iowa, which is up only 2.95 per cent measured by total reinvestment.

At the moment, Mr Urbaszewski is about 70 per cent invested in junk bonds with the rest in a mix of high-grade bonds, Treasuries and cash, the same proportion as last September, just before the stock market crash.

By December, the fund was again fully invested in high-yield bonds, testimony to their resilience despite the crisis on the stock market.

The reason for the modestly defensive posture of the fund now is that Kemper believes yields on Treasuries are set to go higher, narrowing the spread between high-grade and low-grade bonds. Junk bonds tend to be less volatile than Treasury bonds.

Mr Urbaszewski sees the relation between junk bonds and Treasury bonds in terms of the race between the tortoise and the hare. "Treasury bonds (the hare) go in quick bursts but have to take breathers whereas junk bonds (the tortoise) plod along but win in the end," he said. Strange, on the face of it, that racy junk bonds are here characterised as pedestrian performers.

Despite the risky reputation of junk bonds, he believes they are actually quite a safe investment as long as the companies which issue them are financially sound. His team of credit analysts looks at each junk bond-issuing company in terms of how it will survive the inevitable recession.

He says junk bonds tend to underperform higher-grade paper during a recession, not fall in price, and default rates are pretty low. He acknowledges that the current crop of leveraged buy-outs – largely financed by junk bonds – are probably more risky than those in the past and that companies are more highly leveraged.

However, he argues that the extraordinarily high income derived from high yield funds leaves substantial room for the odd default. "If I didn't ever make any losses, my bosses would think I wasn't taking enough risk," he says cheerily.

Current favourite buys include the junk bonds issued by grocery stores: people go on buying basic food whether or not there is a recession.

Soviets lift obstacle to arms talks

By Judy Dempsey in Sofia

THE SOVIET Union has indicated willingness to withdraw its recently-stated demand that air-defence forces be excluded from East-West talks on conventional arms in Europe.

The latest Soviet concession, confirmed by senior Vienna-based diplomats, removes one of the last obstacles to the launching of so-called Conventional Stability Talks (CST), a disarmament forum grouping Nato and the Warsaw Pact.

Mr Eduard Shevardnadze, Soviet Foreign Minister, is reported to have explained Moscow's new position in talks in New York last week with his West German counterpart, Mr Hans-Dietrich Genscher.

The Soviet demand that air-defence forces should be left out of the CST was first advanced a month ago, to the dismay of Nato countries which rejected it out of hand.

The Western side wants the CST mandate to draw no distinction between offensive and defensive aircraft; while Soviet officials were, until a few days ago, insisting that the talks should focus on offensive jets, a category of weapons in which it says Nato enjoys clear superiority.

Last week Marshal Sergei Akhromeyev, Soviet armed forces chief, suggested that Moscow might negotiate away its superiority in tanks and artillery in return for one-sided cuts in Nato's strike aircraft.

Another obstacle to the CST was removed last week when both sides accepted a compromise formula over weapons systems with dual (conventional and nuclear) delivery which Nato wanted excluded. The Eastern bloc had sought to include them.

The only significant problem over the CST mandate yet outstanding relates to the definition of the geographical zone covered by the negotiations.

Nato wants part of Turkey, particularly those areas bordering Iran and Iraq, to be excluded; the Warsaw Pact has countered that part of the Soviet Caucasus should be left out. Western diplomats seem increasingly confident that the Soviet side will back down over this question.

Differences have also narrowed in the related 35-nation meeting of the Conference on Security and Co-operation in Europe (CSCE), which must be completed before the CST can begin.

The CSCE talks cover human rights and economic co-operation as well as arms questions.

All CSCE participants except Romania agreed last week on an important text on religious freedom.

But diplomats say there are still several stumbling blocks at the CSCE. One is over a Soviet proposal that Moscow should host a follow-up meeting on human rights; several Western countries, particularly the US, Britain and Canada are cool on the idea because they feel the Soviet Union has not done enough in human rights.

There is also disagreement on Western proposals for a mechanism to monitor human rights on a more regular basis.

Nevertheless, several Western diplomats say they detect a sense of urgency among Warsaw Pact delegations at the CSCE, prompted by the onset of US presidential elections.

The communist states appear uneasy about prolonging the Vienna meeting beyond November because it would entail dealing with another administration in Washington.

British Labour leaders are re-elected

Ashley Ashwood

A triumphant Neil Kinnock (left) and Roy Hattersley last night in the British convention city of Blackpool, where they were re-elected as leader and deputy leader respectively of the Labour Party, the country's main opposition party. Their comfortable victories over left-wing opponents were widely expected and, although the reception from the delegates to the party's annual conference was warm, it was less enthusiastic than when the two men were originally elected five years ago. Mr Kinnock described the vote as a "great victory." Page 9

Heads of state strive for change in Africa

By Michael Holman, Africa Editor, in London

FIVE AFRICAN leaders are to meet in the Zambian capital of Lusaka on Thursday as part of internationally backed diplomatic efforts to bring independence to Namibia, end the war in Angola, and help create a climate for change in South Africa itself.

In a related development, General Olusegun Obasanjo, the former Nigerian head of state, is expected to leave London today for the Angolan capital of Luanda to continue an initiative endorsed by leading African states, and designed to persuade the Angolan Government and the Unita rebel movement to resolve their differences at the conference table.

Three separate but interlocking initiatives are under way.

The US is chairing negotiations for the implementation of a UN settlement plan for Namibia, presently controlled by South Africa. At the same time African states are trying to persuade the Angolan Government and Unita to end their 13-year conflict. And President P. W. Botha of South Africa is conducting a series of forays into black Africa intended to cement non-aggression pacts with South Africa's neighbours, initiate greater economic co-operation, and convince sceptical black leaders that apartheid is being dismantled.

It is becoming clear that Nigeria, which will send an observer to the Lusaka summit of leaders from Angola, Congo, Gabon, Zaire and Zambia, is playing an increasingly important role in the region. Mr Chester Crocker, the US Assistant Secretary of State for Africa, who is chairing the Namibia talks, briefed President Ibrahim Babangida at the weekend on the current state of negotiations.

General Obasanjo, an unofficial roving ambassador who was co-chairman of the Commonwealth eminent persons group which visited South Africa in 1986, is expected to see Sir Geoffrey Howe, the British Foreign Secretary before he leaves.

Mrs Margaret Thatcher, the British Prime Minister, discussed recent developments with President Robert Mugabe on Saturday, when the Zimbabwe leader stopped in London on his way home from the UN General Assembly.

The meeting in Lusaka follows talks in Zaire at the weekend between President Mobutu Sese Seko and President Botha, on his third visit to a black African state in less than a month.

A joint communique said that the two men had discussed the release of Mr Nelson Mandela, the jailed leader of the African National Congress, possible clemency for the Sharpeville Six, five men and a woman sentenced to death for their part in township killing in 1984, as well the US-chaired negotiations between Angola, Cuba and South Africa for independence in Namibia and the withdrawal of Cuban troops from Angola.

Mr Mobutu said he had accepted an invitation to visit South Africa at a date yet to be fixed.

The Namibia talks, due to resume shortly, was the subject of a separate meeting at the weekend between the presidents of Angola, Gabon and Congo, held in Gabon.

One of the main obstacles to success is the wide difference between South Africa and Angola over the timetable for a Cuban withdrawal. The US, which has the backing of the Soviet Union for its peace initiative, is reported to have put forward a compromise period of two years.

Ripples spread across Eastern Europe

Continued from Page 1

since the 1950s, has insulated the status quo from any radical changes.

Thus it was with relief from among this generation, that Mr Boris Yeltsin, the outspoken party boss in Moscow, was sacked late last year.

But Mr Yeltsin, as much as Mr Gorbachev, provided a beacon of light for the younger generation of Bulgarian party members. Exposed to lengthy daily bursts of Soviet television which is available to most of the population, they saw the spirit of "glasnost" or openness abroad in the Soviet Union.

Besides being encouraged, they became acutely aware that the Soviet Union was going beyond anything the Bulgarian leadership had previously introduced.

But when they tried to press ahead with a more open and liberal media, the old "Chavdar" guard dug in.

In an eventful central committee plenum last July, Mr Chudomir Aleksandrov, the economic pragmatist responsible for party policy, was unceremoniously sacked.

But recent events in the Soviet Union may well force a re-think about the direction Bulgaria is taking. A central committee plenum is planned later this month which, among other things, will focus on agriculture, a sector which in recent years has proved less than satisfactory.

The situation in Prague is just as nebulous. Mr Milos Jakes, who took over as party leader last December, shows little commitment to reform.

So far, he has not cut the dead wood from the politburo or the central committee. And as in Sofia, he is not in a position to do so because he owes his power base to the status quo.

Again, as in Bulgaria, any serious consideration of reforms would require a thorough reappraisal of previous policies. Neither leadership is prepared to undertake this because it would entail the questioning, if not the undermining their own "legitimacy."

But with the final break in the link with the Brezhnev era, the leadership in Prague will now be forced to deal directly with the Gorbachev "administration."

And it could mean that in time, Mr Jakes may be required by Moscow to provide substance to his renderings of lip-service to glasnost and perestroika.

East Germany, under Mr Erich Honecker who has recently returned from a visit to the Soviet Union, will also have to take stock.

Mr Honecker owes his position to the late Mr Brezhnev who promoted him as leader in 1971 and has been less than keen to undertake social and economic reforms, even though there has been recent signs of pressure from within the ruling Socialist Unity Party (SED) to introduce structural changes.

Some of the pressure apparently came from Mr Werner Felfe, the successful central committee secretary for agriculture. He went as far as mooting the idea of East Germany joining the IMF and the World Bank.

His sudden death last month robbed the SED of a potential reformer and even a possible successor to Mr Honecker.

For Romania's Mr Nicolae Ceausescu, the sweeping changes in Moscow do not bode well.

Mr Gorbachev has been more than patient with his maverick and Stalinist-style neighbour. Moscow has cautiously tried to cool the tensions between Romania and Hungary over the treatment of the Hungarian ethnic minorities.

But Soviet diplomats say that Mr Gorbachev is not prepared to interfere in Romania, even though Mr Ceausescu is an unattractive, if not negative advertisement for socialism.

"Like everybody else, we continue to wait . . ." was how one Russian diplomat put it.

But without Mr Gromyko and Mr Demichev, Mr Ceausescu now has few people to turn to in Moscow where he is due to visit this month.

The closing of the Brezhnev era thus poses uncomfortable questions for some of the East European leaderships.

It does not mean that Mr Gorbachev himself will now immediately turn his attention to Eastern Europe. He faces enough problems at home.

It does, however, mean that while the period of uncertainty concerning Mr Gorbachev's future seems over, the period of uncertainty in Eastern Europe has just begun.

WORLD WEATHER

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Algiers	[illegible]
Amsterdam	[illegible]
Athens	[illegible]
Bahrain	[illegible]
Bangkok	[illegible]
Barcelona	[illegible]
Beirut	[illegible]
Belfast	[illegible]
Belgrade	[illegible]
Berlin	[illegible]
Biarritz	[illegible]
Bombay	[illegible]
Bordeaux	[illegible]
Brussels	[illegible]
Budapest	[illegible]
B. Aires	[illegible]
Cairo	[illegible]
Cape Town	[illegible]
Caracas	[illegible]
Casablanca	[illegible]
Chicago	[illegible]
Cologne	[illegible]
Copenhagen	[illegible]
Corfu	[illegible]
Dallas	[illegible]
Dublin	[illegible]
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Coffee quotas agreed

Continued from Page 1

biggest world producers, had proposed a quota of 54m bags, which would rise to a possible 58m bags if prices started to rise. But the US, the world's biggest consumer, was proposing a quota of just over 50m bags, which would be reduced if prices remained low.

Consumers have been worried by the premium being fetched in the market for quality mild arabica coffees over less prized robusta coffees.

The final agreement takes elements from both the Brazilian and US proposals. In the first quarter (October-December), the agreed 56m bag quota will be revised upwards by 1m bags on October 25 if the ICO 15-day average indicator price, which is used to set the level of prices being defended, is above the level it was last Friday. A similar increase could be triggered 15 working days later.

THE LEX COLUMN

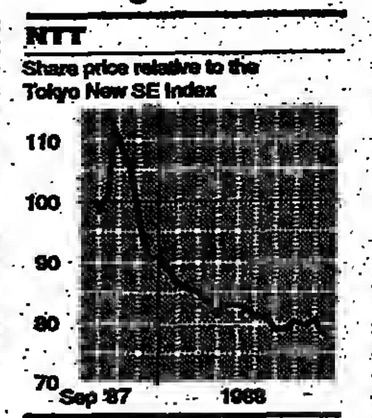
NTT test the Tokyo line

It is a grisly coincidence that the pricing of the third chunk of Nippon Telegraph and Telephone (NTT) should fall on October 19. For foreign brokers especially, who are underwriting close to £1bn of the £13bn-plus issue, signing on the line in Tokyo will not be made any easier by wondering how Wall Street will choose to celebrate its anniversary later in the day. To be sure, the chances of a BP-type disaster are remote. By contrast with the previous two instalments, private investors are expected to stay away in droves, leaving the field to institutions who can be persuaded to bite the bullet should things go wrong.

All the same, it will be a ticklish business; and despite the desire of the Japanese authorities to avoid the suggestion of price-rigging, NTT looks like being the most important single influence on the Tokyo market over the next three weeks. Although the pricing is in the naive sense automatic – a 3.5 per cent discount to the October 19 market price – it is made doubly sensitive by the fact that the first chunk at Y1.2m a share was plainly too cheap, the second at Y2.55m too dear. Barring accidents, the result this time looks set to be a touch above Y2m – which is at least an advance on the crude average of Y1.87m they paid for the first two issues.

It all drives a coach and horses through the Japanese tradition of bringing issues to the market at successively higher prices; but that has lately been under pressure anyway, particularly from Japanese banks tapping the market to meet the new rules on capital adequacy. This leaves aside the question of whether NTT is remotely worth Y2m a share. But that is hard to answer in isolation. NTT is like a distorting mirror for the Japanese market as a whole, showing its features in grotesquely magnified detail – the huge p/e, the tiny yield, the supposedly enormous real estate assets, the promise of developing into exciting but unspecified new areas. If you buy the arguement for the market, you can buy it for NTT. Or not, as the case may be.

NTT
Share price relative to the Tokyo New SE index



Entrepreneurs

Shareholders in Allied-Lyons and Macmillan should be grateful for the interest Mr Alan Bond and Mr Robert Maxwell have been showing in their respective organisations, but it is far from clear that the shareholders of Bond Corporation or Maxwell Communications will be equally well satisfied if these latest bits of corporate empire building are successful. Mr Maxwell does not go in for quite the same scale of self-promotion as Mr Bond – who is building his own university – but his global business ambitions are equally grand, and his shares – yielding 10 per cent plus – are almost as lowly rated.

Both men are extreme examples of an unorthodox style of business operator, that has never found much favour with institutional investors. Mr Rupert Murdoch and Mr Tiny Rowland would probably fall into the same category. All four have built their companies into sizeable international corporations, own a substantial chunk of the equity and run them like a personal fiefdom. Mr Murdoch and Mr Bond are impulsive and highly geared while Mr Rowland is equally unpredictable and appears to spend a considerable amount of his time plotting how to get even with the Egyptian-born Al Fayed brothers. This does not sound a very defensible sort of strategy but over the long term investors in both Lonrho, Bond Corporation and News Corporation would have handsomely outperformed the market.

There is an attraction about investing in a company where the management holds a substantial stake. It should mean that the management's interests are far more closely tied to those of its shareholders, and curb any appetite for frequent rights issues. The London clearing banks, for example, might not have wasted so much of their shareholder's money over the years if the personal wealth of the top management had been at risk. Investors in both Trade Development Bank and Republic New York Corporation have probably benefited since a large part of Mr Edmond Safra's own fortune was tied up in these banks. The fact that Mr Asil Nadir recently spent close to £5m on increasing his stake in Polly Peck International from 25 per cent to 26 per cent must say something about his confidence in the business. Indeed, there are plenty of companies with dominant shareholders ranging from the New York Times Company in the US to Fiat in Italy and Amstrad in England, where investors have been well rewarded.

However, there are plenty of contrary examples. Mr Holmes a Court's Bell Group, which had to be rescued by Bond Corporation after last year's stock market crash, is a classic case where the company over-extended itself notwithstanding the chief executive's own very substantial financial involvement. There are also several less dramatic cases where companies with a dominant shareholder have simply underperformed the market over a long period. Maxwell Communications shares have fallen by almost 50 per cent over the past year and, based on Datastream statistics, its relative performance is below average on a three-, five- and 10-year record. Another consistent underperformer is Great Universal Stores, and while the dismal stock market performance of Storehouse will come as no surprise, Sainsbury's stock market record does not match its blue chip image.

The disadvantages of investing in companies controlled by dominant individuals, or families, are various, but the most obvious concern is that investors have little influence if the company runs into trouble. Entrepreneurs such as Mr Maxwell, Mr Bond and Mr Murdoch are never going to be worried about being taken over – the ultimate sanction for a badly run company – and there is always the question of whether the next generation of family managers will be as capable as the current generation. Meanwhile, investors in some of Mr Bond's affiliated companies, such as North Kalgurli Mines, have been made all too well aware of his willingness to issue new paper to finance his ambition of becoming a global player in the gold mining industry.

Although there are plenty of protections for minority shareholders, there is always a concern that beyond a certain level a wealthy management becomes less concerned about maximising shareholder returns and more interested in enjoying a powerful position on the corporate stage. This can sometimes work to shareholders' advantage over the long term but the lowly stock market rating accorded to the shares of many of these companies suggests that the risk reward ratio is considerably higher.

SECTION III

FINANCIAL TIMES SURVEY

The fall in oil prices has dealt a heavy blow to the economy of Trinidad and Tobago. **Tim Coone** looks at why things went wrong and the efforts being made to restore the fortunes of the Caribbean islands

A troubled economy

TRINIDAD and Tobago have the fortune that the hurricanes that sweep through the Caribbean every summer have so far not hit with their full fury. The eye of each storm always seems to pass to the north of the country's two main islands.

Prime Minister Mr A.N.R.Robinson, has however, given a storm warning, doing so in the knowledge that turmoil of a different kind is on the horizon.

For this Caribbean nation's economy is in trouble and he is now urgently looking for foreign investors and bankers to help finance a recovery before a decline turns into a free fall. An austerity-cum-investment plan has been prepared which will be politically unpopular at home. If it fails, he can expect criticism, and political headaches ahead.

Mr Robinson set off on a four-week European tour last month for talks on restructuring the country's $1.5bn (£893m) foreign debt, accompanied by the news that the nation's foreign exchange reserves are exhausted and a squabble within his National Alliance for Reconstruction (NAR) is threatening to tear the broad-based party apart.

He ignored calls to abandon his visit saying: "I could stay at home, but none of the vital issues would be attended to. We are proposing a realistic programme for Trinidad and Tobago's survival."

Mr Robinson's tour ends this week in the UK, where he is to hold meetings with the Mrs Margaret Thatcher, the Prime Minister and with creditor bank executives and during which he will lay out his proposals to obtain a debt rescheduling agreement and an IMF standby loan.

Trinidad and Tobago is no longer the affluent jewel of the Caribbean that it was in the 1970s and early 1980s when oil prices soared bringing a bonanza of wealth to the islands' population of 1.3m. The subsequent collapse in oil prices has produced a 30 per cent fall in real incomes over the past four years according to Mr Winston Dookeran, the Planning Minister and people are finding the new economic reality hard to take.

The current foreign exchange crisis is severe. Reserves fell at the end of June to $20m, less than sufficient for one week of imports. Many companies have gone on to three day working weeks and are laying off employees. The government even mortgaged one of the national airline's jet aircraft last month for $21m to help pay public employees and to inject some foreign exchange into the Central Bank. Two further aircraft leaseback arrangements are in the pipeline.

Mr. William Demas, the Central Bank president told representatives from the the private sector last month that the foreign exchange situation "has never been worse".

So what went wrong?

About $2bn was sunk into the Point Lisas industrial complex during the boom. Designed to use local natural gas supplies, urea, ammonia, and methanol plants were built together with an iron and steel complex, and all aimed at the export market.

Today those industries are running heavy losses due to a combination of world over-production, low prices and heavy finance charges to pay for construction.

Tax income and savings from the oil sector also helped finance rapid development of social services and fuelled a boom in commerce. So much so that traditional areas of the economy such as agriculture, became neglected. Now 70 per cent of the islands' food is imported.

With the fall in oil income, the structural weaknesses of the economy and its over-dependence on oil became all too apparent.

The government's immediate plan is to rationalise government spending, redirecting current expenditure on wages towards new investment, especially in the energy sector where output has been falling.

In the longer term, diversification is to be encouraged with export-led growth through investment in agriculture, tourism and down-stream petrochemicals.

One of Mr Robinson's targets is to obtain 56 per cent of a three-year $3.6bn state investment programme from new overseas loans. Together with direct foreign investment, this is what he believes will be necessary to turn round the economy.

The other 44 per cent is to come from divestment of state-owned enterprises. The telephone company is the first in line and talks are expected in London this week.

Also planned are major lay-offs in the over-extended public sector.

Meanwhile, a recent 30 per cent devaluation of the currency was a further measure designed to create a favourable atmosphere at the IMF and creditor bank discussions.

However, as with all IMF agreements, intense political opposition is stirred at home, and Trinidad is no exception. Food prices have been predictably hard hit by the devaluation, causing discontent. Mr. Robinson is being criticised for leaving it until the final hour to begin talks with the IMF, a move he originally opposed when he took office in December 1986.

With reserves exhausted, his negotiating stance is accordingly weakened. His reply is that it has taken until now to work out Trinidad's own economic proposals. To start negotiations without a plan he said "leaves only the Fund's proposals on the table".

Unemployment is already 21 per cent of the 600,000 workforce, and can be expected to increase substantially over the coming year as adjustment plans take effect.

Mr Dookeran admits that the initial thrust of new state and private investment, directed at capital-intensive energy-based projects, will not ease the unemployment problem. He said: "Activity in the other more labour-intensive sectors will begin if we can start growth in the key energy sector."

Mr Robinson has an optimistic time-frame "In 18 months we will be through the worst" he said. The government is clearly hoping that new private investment, both foreign and domestic, will take up the unemployment slack created by the government's own rationalisation plans. In this context, plans for developing new offshore manufacturing facilities, in a duty-free export processing zone (EPZ), are being eagerly promoted by the private sector and are being equally resisted by the trade unions which fear the creation of "sweat-shop" industries.

Mr Oscar Alonso, the chief executive of the Export Development Corporation, a government-funded body which boasts one of the most advanced trade information centres in the Caribbean, believes that Trinidad can be competitive in non-oil exports and that the EPZ is the way to achieve it.

He said: "We still lack the infrastructure. Where are the overseas trade missions, the forward distribution centres?

"We have the high technology but we lack the basics. Some people still seem to believe that oil will come gushing out of the sewers at $30 a barrel and save us".

The ability of the government to tap and mobilise the financial resources necessary to restructure the economy along less oil-dependent lines, will be its real test in future. It will be the test of Mr Robinson as Prime Minister and as a political leader if he can keep his nerve, without letting the tensions spiral into violence as unpopular economic measures stir waves of unrest in this hitherto peaceable society. The ultimate goal is diversification and according to Mr Dookeran "The economic map of the country will look very different in 10 years' time if we succeed in getting the resources" he said.

If they fail, enough economic headaches lay ahead to give the country a bumpy ride. Some are nervously aware of the fact that it was economic hardship in tiny Grenada just 100 miles to the north that was the catalyst for revolution and invasion less than a decade ago.

That experience demonstrated that Trinidad and Tobago's location at the mouth of the Caribbean, and astride major reserves of gas and oil make it a country of strategic interest, and not just to superpower politicians. Lying just a dozen miles off the Sonth American mainland, the country is finding itself host to a disturbing growth in drugs traffic to the US, as are most of its neighbours in the eastern Caribbean island chain. There are inevitable nagging fears that this traffic could generate corruption.

The country's problems thus provide an interesting litmus of how economic troubles common to many countries in the Caribbean can be tackled. If Trinidad and Tobago, with its underlying wealth and political stability, cannot deal effectively with the recent steep deterioration in its economic position, then the prospects are grim for other Caribbean natiions that are less fortunately endowed.

The smiling face of Trinidad and Tobago at carnival time but for the present the good times are over

Trinidad and Tobago

CONTENTS

Guiding through austerity measures is a thankless task

A testing time for premier

THE TASK of Prime Minister in Trinidad and Tobago would be difficult for whoever filled the post now.

For the present occupant, Mr A.N.R.Robinson, the task is even more thankless however. For he is in the process of implementing a package of austerity and rationalisation measures as part of a broader economic recovery plan, with a divided party behind him, e resurgence of racial undertones in local politics, and facing e vociferous opposition which is waiting to hoot and rail at every error and setback of his administration.

Trouble was in store for his party from the moment it was formed into the National Alliance for Reconstruction (NAR). A loose broad-based alliance, it came together for the purposes of the 1986 elections, to challenge the control over government that the People's National Movement (PNM) had exercised since self-rule was introduced in 1956 and following independence in 1962.

Various factors led to the ultimate defeat of the PNM, among them the death of its charismatic leader Dr Eric Williams, the party infighting subsequent to his death, and the waste and corruption in government that the party came to be associated with. However, one of the major planks of the NAR's platform was to cross the racial divide. The PNM was widely seen as the party of those of black African descent, and whose occupations have tended to concentrate in the service and state sector. The community of East Indian descent, which at 40 per cent of the population is numerically now the same size as the African but has tended to predominate in agriculture and commerce but until now has had little say in government. (The small community of European descent has quietly held the reins of industrial and financial power within the country, but has remained on the sidelines of Trinidad politics since independence.)

The NAR was formed from four factions - the Organisation of National Reconstruction, a conservative-centrist party, Mr Robinson's small Democratic Action Congress from Tobago, the United Labour Front led by Mr Basdeo Panday with the backing of the Indian community and sugar workers, and a left of centre grouping, The Tapia House movement led by Mr Lloyd Best.

The landslide victory the NAR obtained in the 1986 elections, sweeping the PNM out of all but three of the 36 seats in the House of Assembly, was e damning indictment of the PNM and an indication that the islands were ready for more racially harmonious politics.

The groupings within the NAR alliance abandoned their former party structures to become a unified party, but the factions re-emerged soon after coming to office. The manifesto of the party was broad ranging and in parts contradictory, attempting to offer everything from social justice and expanded welfare programmes through to faster industrial growth and development and a more dynamic role for the private sector. At the same time it promised to give the Indian community equal representation within the government.

Given the breadth of the ideological spectrum within the NAR, and the strong personalities involved, splits were inevitable

The first split was that of Mr Best, when it became clear that the welfare programmes were not to get the same priority as private sector stimuli.

The second and a more serious split is about to take place with Mr Panday. He said: "We calculated that on the various managing boards in the public sector Indians occupied only 4 per cent of posts in 1986." He addded that they had succeeded in changing that to 22 per cent, but that a Cabinet rebellion led by him earlier in the year has resulted in all of them being sacked.

Mr Panday along with five other leaders were suspended from the party in May this year. He and his supporters are now planning the formation of a new party, but organised on multi-racial lines, to steal the ground from under the NAR.

Mr Bhoe Tewari, the secretary general of the NAR, criticises Mr Panday for being too hasty to change the ethnic make-up of government. "If you move too fast you cause deeper problems than the ones you are trying to solve", he said.

The differences went further than that however. Mr Panday is identified with the left of the party, and as leader of the Sugar Workers' Union, a sector that is facing large-scale cutbacks and unemployment under the government's present policies.

Both he and Mr Best of the Tapia movement also accuse Mr Robinson of having an autocratic style of government. According to Mr Panday: "He is a prime minister without a political base, but who is trying to create one through patronage and autocratic management".

Both were in the inner circle of the NAR and left because they felt their views were being ignored.

Given the breadth of the ideological spectrum within the NAR, the contradictory interests and the strong personalities involved splits were inevitable.

The government's isolation has been further aggravated though by the Progressive Trade Unions Congress (CPTU) decision to ebandon the National Planning Committee last month. They also argued that that their views were being ignored. Most of the centrist and left figures that formerly supported the government, or were involved in formal negotiations with it, are now in open opposition. The question is thus whether Mr Robinson can continue to exercise authority as party and government leader with a much-narrowed base of support.

On the positive side, party cadres can now concentrate on consolidating what remains of the NAR, instead of attempting to reconcile what proved to be irreconcilable positions within it.

Most importantly, Mr Robinson can continue to bank on e workable majority within the House of Assembly, even should Mr Panday and five other representatives cross the floor, which now seems probable.

The ONR block within the party have so far remained faithful although Mr Panday says "Robinson has the leadership but not the rank-and-file".

Mr Panday is confident of winning the six seats should by-elections be held, as they are all in solid Indian constituencies, but he doubts that Mr Robinson will risk calling by-elections for fear of what the results might show. Mr Panday says he is also likely to allow Mr Patrick Manning, of the PNM, to remain as formal leader of the opposition, a position Mr Panday would be entitled to with his six seats, in order to leave the door open to e future coalition government.

Mr Manning though is dismissive of coalition politics: "Not in my lifetime" he said, even though the social democrat type policies he espouses are broadly similar to those of MrPanday.

Mr Panday however is convinced that the future political panorama of Trinidad and Tobago will be one of coalition governments, as he thinks no single party will be able to win an absolute majority and he is prepared to await the next elections in 1991.

To the left of the main parties, attempts are meanwhile being made to revive a Trinidad and Tobago Labour Party, the effort being led by the CPTU. If they succeed they will probably draw in the more radical elements, such as the outspoken Ms Merle Hodge, who worked in the government of Mr Maurice Bishop in neighbouring Grenada and recently led an impassioned ettack upon the proposal to establish Export Processing Zones in Trinidad. In spite of her past, she is not a proponent of violent opposition though. She said: "It would be counter-productive although that is not to say the situation won't come to that."

Mr Tewari of the NAR is also aware of the dangers. "There is a thin line between economic transformation and social unrest", he said. If it should slide to the latter, the NAR's inexperience and internal weaknesses make the future unpredictable. It will be the test of Mr Robinson's leadership and also of the leaders of the opposition to steer whatever conflicts emerge towards their democratic solution rather than authoritarian alternatives.

Tim Coone

Profile: A.N.R.Robinson, Prime Minister and Finance Minister

An administrator with talent

A.N.R.Robinson: looking for firm ground in economic quicksand

GOVERNING Trinidad and Tobago today is not an easy task, and could be a thankless one. But Mr A.N.R.Robinson, the Prime Minister and Finance Minister, believes there is in his compatriots, sufficient understanding of the country's economic problems.

"There will be hardships", he says of the austerity which he will be forced to implement in the next few months. "These hardships will be overcome."

Mr Robinson's optimism recalls his attitude to the chances of his National Alliance for Reconstruction on the eve of a general election in 1986.

Many - and not only cynics - were unimpressed by his promise to hand a heavy defeat to the People's National Movement which had formed the government for the past three decades.

"He is really a talented administrator," said one leading businessman who confessed to being a supporter of Mr Robinson's party. "But there is a danger of him being overwhelmed by the nature of the economic problems while struggling with the rift in the party."

One faction of the party, led by former ministers, is rebelling against Mr Robinson's leadership.

Although there had been no change of government for 30 years, Mr Robinson was not short of experience in government when his party won the election just less than two years ago. He was a founding member of the PNM, and had become deputy political leader of the party, and finance minister and foreign affairs minister when he resigned in 1970. The resignation followed many differences with Dr Eric Williams, the then Prime Minister and party leader.

A lawyer, aged 62, Mr Robinson eschews political labels, admitting only to moderation and practical policies to deal with Trinidad and Tobago's political and economic circumstances.

Dapper and somewhat self-effacing, Mr Robinson might not immediately suggest that he has what is accepted as typical of most successful Caribbean politicians - vote catching charisma, backed by harangue and bombast at the hustings. But his detractors and supporters agree that underneath he is tougher than appears.

Given the problems with which he is grappling, however, Mr Robinson's place in Trinidad and Tobago's political history could be determined by the strength he displays in finding firm ground in the economic quicksand.

Canute James

PROFILE: PATRICK MANNING

Learning a lesson from poll defeat

Patrick Manning: rebuilding the ranks of his party

AFTER 15 years in government, Mr Patrick Manning is pleasantly surprised by his new job.

"Opposition politics is far more interesting than I though it would be," says the leader of the People's National Movement.

"I have learned a lot about the role of an opposition in a democracy. It is of more than nuisance value. It can keep a government on its toes, and we have done much better than the government anticipated."

In addition to keeping the government on its toes, the 43-year-old Mr Manning is spending time rebuilding the ranks of the PNM - a job which diplomats in Port of Spain say he is doing successfully.

The constituency parties were left in disarray after a humiliating defeat in 1986 by the National Alliance for Reconstruction, ending three decades of government by the PNM. Mr Manning is, by academic training, a geologist.

Moving from a job with a local oil company into active politics only two years after leaving university, he says, was a conscious decision.

"It was while I was a geologist working with the oil company that I was approached by the constituency of which my father had been the first chairman," he recalls. "I turned them down, but later Eric Williams spoke to me, and in 1971 I decided to go into politics. I have no regrets today about that decision."

"Opposition politics is far more interesting than I though it would be...it is more than just nuisance value

Dr Williams, the founder of the PNM, a nationalist and the man who presided over Trinidad and Tobago's transition from a colony to an independent state, "is the person who has most influenced my political thought," Mr Manning says. "When I was a young boy my father took me to meetings held by Eric Williams."

Mr Manning is the member of parliament for the San Fernando East constituency, and one of the three PNM candidates who managed to hold on to a seat in the face of the NAR victory in 1986. It was the third time he successfully defended his seat since being elected in 1971. In the 15 years he spent on the government benches, Mr Manning gained wide experience in government. As a parliamentary secretary between 1971 and 1978, he served in the energy ministry, the prime minister's office, the planning and development ministry, the industry and commerce ministry and works, communications and transport.

In 1978 he was made a junior minister for finance, and subsequently changed portfolios to have responsibility for information in the Prime Minister's office. Three years later he was appointed Minister of Industry and Commerce and subsequently administered the petroleum sector, the foundation of the economy, when he was named minister of energy, a position he held until the PNM's defeat in 1986.

"When I leave politics, I hope I will leave a People's National Movement that is broad-based, and a country that is close to economic prosperity," Mr Manning says. "I hope to see a society that is stable and one in which the social services are strong. "Much of this may not be achieved in my lifetime, but I hope I will see an economy which has a greater measure of security against international adversity."

Canute James

A heavy price is being paid for having tolerated a lop-sided economy

Hard times overtake islands

CAROL MENDOZA, emerged confused from a supermarket: "I really do not know what is happening in this country, imagine, I cannot get a piece of cheese to buy."

Her confusion is shared by Trinidad and Tobago's civil servants who, after having payment of their salaries delayed, marched through the streets protesting what they claim is a government plan to do away with 25,000 of their jobs.

The lack of cheese and the likely cutback in the state sector are but two indications of of the hard times which have overtaken an economy which, less than a decade ago, was among the most vibrant in the Caribbean.

"The basic feature of our situation is that our gross domestic product has been declining for the last six years at an average 5 per cent per year, so we have lost one third of our GDP, and therefore the size of the cake has to be reduced," explained Mr Ray Robinson, the Prime Minister and Finance Minister.

"The second reality is that we have been paying out over the last six years a great deal more than we have been receiving, so the foreign reserves have been exhausted."

The country is now paying the price of having for too long tolerated a lop-sided economy, overly dependent on one commodity for its it foreign earnings and for the government's revenues. The petroleum sector accounts for about 70 per cent of the country's exports, and its contribution to the government's revenues has fallen by a half from 1981 to roughly 30 per cent last year.

"The big problem is oil, not just the fall in prices since 1982 but also the fall in the level of production," said Mr William Demas, governor of the central bank. "We have suffered from a double squeeze."

The result is clear in the state of the foreign reserves which have tumbled from US $3bn (£1.7bn), at the end of 1982 to $20m at the end of June.

The government's revenues this year will be TT$587m (£81.5m) below projection. Reduced earnings led to a $250m deficit on the current account of the balance of payments last year, unemployment has moved to 21 per cent from 10 per cent in 1981, and the economy contracted 6.1 per cent last year following a 4.5 per cent fall in 1986.

There is increasing concern about the government's ability to honour its foreign exchange obligations, including debt servicing and paying for its imports. "In allocating foreign currency our priorities are basic foods, medicines, agricultural inputs and capital equipment for industry", said Mr Demas.

While admitting to the impact of the soft oil market on the economy, Mr Robinson has suggested that some of the blame must be accepted by the former People's National Movement administration which was defeated by the Prime Minister's National Alliance for Reconstruction just less than two years ago.

This has raised the hackles of Mr Patrick Manning, leader of the opposition PNM.

He countered somewhat testily: "They cannot pin that one on us. It is not fair to claim that the government inherited an economy which we had damaged.

"The fall in oil prices led to a loss in revenue. We saw the contraction and implemented corrective measures including the 33 per cent devaluation in 1985. But all that was destroyed by the fall in oil prices in 1986. It was clear that whoever won the election would have to address the fiscal situation."

Mr Robinson has attempted to deal with the economic problems on two fronts. He has cut this year's TT$2.5bn capital budget by a half, and reduced by 5 per cent the TT$5bn recurrent budget.

The currency has been devalued by 15 per cent to a rate of TT$4.50 to the US dollar. Some salaries in the government service are being cut, subsidies to state companies reduced, while petrol prices have been increased to help close a projected revenue shortfall.

Mr Robinson's second effort has been to seek foreign financial support. The government is negotiating with the International Monetary Fund for a compensatory financing facility to help cover the shortfall in earnings from oil.

The Prime Minister believes he could get TT$90m under this facility but the drain on reserves has raised doubts about the country's ability to service its foreign debts.

Approaches are being made to foreign official and commercial creditors but they are unlikely to be considered seriously until there is an agreement on an IMF programme for Trinidad and Tobago.

"We have no firm decision on the standby arrangement, and we are pushing first for the compensatory facility," said Mr Robinson. He said he expected Trinidad and Tobago could get about $90m under the standby facility. "We are also arranging meetings with our creditor institutions to have a rescheduling of our foreign debt."

Servicing its foreign debt will put a strain on the reserves during the next three years. Debt service obligations will demand $474m next year, $537m in 1990 and $337m in 1991. Mr Demas explained that this problem of the 'bunching' of repayments is the result of medium-term borrowing to finance industrial projects. "We are meeting our debt servicing obligations at the expense of our imports," he said.

Most of the government's foreign debt had an original maturity of less than five years, while much of the rest was of between five and 10 years maturity.

With an IMF 'seal of approval' in the form of a stand-by programme, refinancing might not be difficult. Roughly two thirds of the country's foreign debt is owed to private financial institutions.

The government is also seeking local and foreign support for a public sector investment programme with projects in the energy sector, infrastructure and agro-industrial plants.

Mr Robinson said the target for the next three years is expenditure of TT$3.8bn, of which 44 per cent will be raised locally and the remainder from overseas.

Mr Manning's proposals to deal with the economic problems differ from Mr Robinson's programme, although there is agreement on the need for an agreement with the IMF. "The government has to go to the IMF", said the opposition leader. "We told them that if they had to go then they should go sooner rather than later."

Much more could be done, he said, if the internal wrangling, which has split the ruling party, did not give an impression of political instability which does little for the confidence of prospective foreign investors. Mr Manning would like to see some deregulation of the economy to stimulate activity and create jobs, with increased incentives for investment, including policy changes to allow foreign ownership of property.

"What is needed most of all is political stability and confidence in the country."

For Trinidadians like Mrs Mendoza, her concern over cheese may not be immediately satisfied. Mr Robinson promises: "In 18 months Trinidad and Tobago will be through the worst and will begin to make the progress we would like to achieve.

"These are difficult times, not desperate times, for Trinidad and Tobago," concludes Mr Demas. Yet there is little to indicate how Trinidad and Tobago can quickly escape its over-dependence on oil. The expansion of a petro-chemical sector and new attention to tourism will take a few years - if they are successful - to give meaningful support to the economy.

But diversifying the economy, said Mr Demas, will not be easy. "We all want to be less dependent on oil, but this is a conundrum. To diversify from oil you need more oil - you need more money from oil."

Canute James

BALANCE OF VISIBLE TRADE (in $ billion)

Period	Quarter	Exports	Imports	Balance
1983		5.623	6.179	−0.556
1984		5.205	4.597	+0.608
1985		5.235	3.731	+1.504
1986		4.978	4.932	+0.046
1987		5.254	4.380	+0.874
1986	1st qtr	1.616	1.025	+0.591
	2nd qtr	1.208	1.249	−0.041
	3rd qtr	1.053	1.320	−0.267
	4th qtr	1.083	1.306	−0.223
1987	1st qtr	1.331	1.195	+0.136
	2nd qtr	1.230	0.846	+0.384
	3rd qtr	1.406	1.045	+0.361
	4th qtr	1.295	1.300	−0.005

Source: Trinidad and Tobago Central Statistical Office

It looks like paradise...but times are hard for those who live on Trinidad and Tobago

TRINIDAD AND TOBAGO KEY FACTS

Area	5,128sq km	Imports (fob 1986)	$1.04bn
Population	1.2m	Trade balance (1987)	$355.3m
Capital	Port of Spain	Current account balance (1987)	−$268.7m
GDP growth (1986)	−1.1%	Debt (1986)	$1.15bn
GNP per capita (1986)	$5,360	Debt as a % GNP (1986)	24.6
Exports (fob 1987)	$1.4bn	Debt service as a % GNP (1986)	4.87
Oil as a % of exports (1986)	71.6%	Rate of inflation (1987)	10.74%

VOLUME AND VALUE OF SELECTED EXPORTS 1982-1987

	1982	1983	1984	1985	1986	1987
Crude petroleum (million barrels)	32.0	33.7	31.3	34.8	32.9	28.4
Value ($m)	1,116.4	1,099.4	955.4	1,021.0	551.8	519.8
Urea (kg m)	44.8	38.7	61.9	361.6	502.7	465.3
Value ($m)	6.6	5.9	8.8	52.7	47.0	41.4
Steel products (metric tonnes 000)	115.1	169.9	215.4	129.8	315.8	n.a.
Value ($m)	18.8	26.1	36.5	22.2	78.5	72.8
Sugar (metric tonnes 000)	50.2	62.5	73.3	68.2	57.6	53.2
Value ($m)	21.9	25.8	28.7	22.0	23.3	28.1
Anhydrous ammonia (kg m)	712.5	1,196.6	1,173.9	1,157.5	1,120.7	1,076.4
Value ($m)	96.8	151.5	180.3	166.2	125.4	112.6

n.a. = not available. Source: Central Statistical Office

Imported food price rises prompt fresh look at agriculture

Devaluations put strain on household budgets

AGRICULTURE IS the step-child of the Trinidad economy.

From being the main source of wealth during the early years of its colonisation, the sugar, cocoa and coffee plantations gradually slid into neglect following the discovery of oil at the end of the last century.

With the 1970s oil price boom, and abundant foreign exchange flowing through the economy; a cheap food policy became the vogue such that imported produce largely displaced that grown locally. High wages and a land price boom, fuelled by the oil revenue, further reduced the competitiveness of the local agricultural sector.

It's minor contribution to the economy is reflected in the fact that 70 per cent of the country's food supplies presently have to be imported each year. At the height of the oil boom that proportion reached 90 per cent, in spite of the availability of abundant fertile land on the islands.

The result has been to make food supply highly vulnerable to foreign exchange shortfalls, as is occurring now, and causing devaluations of the currency which are extremely damaging to household budgets. About 30 per cent of family income is spent on food and the last two devaluations have cut deeply into real incomes.

Previous governments have repeatedly tried to stimulate expansion of the agricultural sector, but have only achieved any significant success with intensive livestock production.

This has been achieved however through tax and import incentives on imported feedstuffs, making the livestock industry also highly dependent on imported raw materials and hence facing the same vulnerability as the food sector.

In a recently-published study of Trinidad's agriculture over the past 25 years, Mr Winston Rudder, a Permanent Secretary at the Ministry of Food Production commented: "These industries must be considered to be largely local assembly-type production units in which labour isthe major, if not the sole, component of value-added."

He also criticises previous policies for failing to give adequate price signals and incentives to producers. He said: "Monetary policies tended merely to recognise and institutionalise the situation of low marginal efficiency and returns to capital investment in the agricultural sector" and that as long as oil income continued at a high level the government preferred to opt for a cheap food policy by importing on the world market, rather than diverting resources to investment in agriculture.

The small proportion of bank loans to agricultural producers, at some 3 to 4 per cent of total bank credit is indicative of the low priority that has traditionally been accorded to the sector.

Attitudes are starting to change however, forced by the new realities of the oil market. Government officials are hoping that although the recent devaluation has adversely affected food prices and hence consumers, it will send a positive signal to producers and stimulate them to plant and produce more.

Mr Winston Dookeran, the Planning Minister, said that government-supported research and extension programmes are underway to produce genetically-improved livestock domestically instead of having to import them, and to produce animal feeds from locally-available by-products, especially from the sugar industry.

A new policy emphasis on export-led growth, is creating opportunities for growers interested in planting new crops for export. Output has meanwhile been growing over the past 18 months, apparently due to rising unemployment in the rest of the economy encouraging a gradual drift back to the land.

The sugar industry for its part, one of the oldest on the islands, is facing an uncertain future due to world overproduction, high-cost production methods and gradual loss of export quotas to both the EC and the US markets.

This year the government owned Caroni sugar mill, is to cut production by 30 per cent, primarily for the domestic market.

Mr Basdeo Panday, a leading politician and head of the sugar workers union, has condemned the decision saying it will cause serious unemployment problems in some communities that depend on the mill. He admits privately though that the Trinidad sugar industry has a limited future other than for the domestic market and that production will eventually have to be diversified into other crops.

Present government emphasis is, therefore, on production of import-substituting crops, especially fruits and vegetables and which can also be used in downstream processing industries and sold for export. The proposed export-processing zones are expected to attract food processing industries among others.

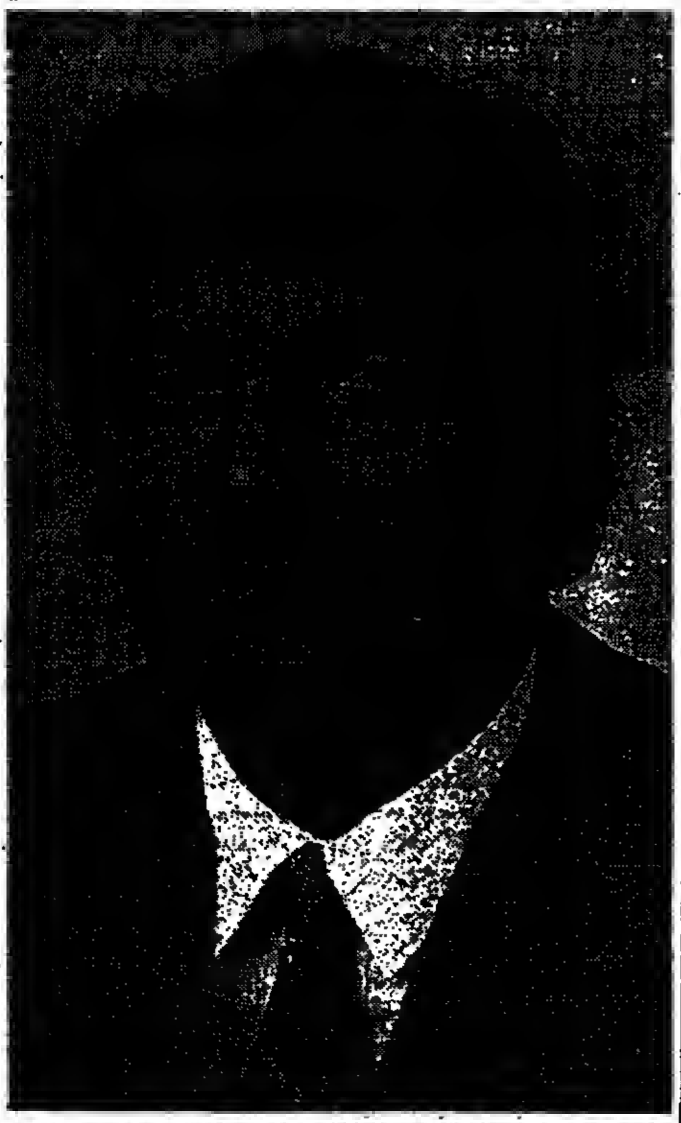
Mr. Lloyd Best, a prominent but outspoken economist, recently put proposed a school-feeding programme as a means of stimulating the agricultural sector and at the same time alleviating the burden of the food price increases on family incomes. The government's increasingly tight budgetaryrestraints make it unlikely that the proposal will be taken up,but the fact that every politician from across the political spectrum is now talking about the need for agricultural growth signifies that the sector may finally be on the verge of sustained development effort.

Even without cutting into the large tracts of rain forest which cover the islands, there is much agricultural land which is presently abandoned or under-utilised and which can once again be brought back into production.

It will be for the government to maintain the right price stimuli, and to make sufficient credit available at the right time to fuel the expansion.

All the previous governments have paid lip service to a reducing the country's dependency on imported food but all have so far failed to produce the desired results. Witha different party in government now, there is at least an expectation that the ploughshares may once again start moving in Trinidad.

Tim Coone



Winston Dookeran, Planning Minister said the government is backing research projects to find ways to raise genetically-improved livestock locally, rather than import them, and produce animal feed from readily available by-products of the country's sugar industry

Trinidad's sugar industry faces an uncertain future owing to world over production and high costs

Foreign earnings projections are hit by market softness

Oil prices deal a crippling blow to islands' economy

BY ANY measure, Trinidad and Tobago is a small oil producer. The country now averages 150,000 barrels per day, and is not a member of Opec.

But for the country most things economic turn on oil. The cause of the problems afflicting the economy can be attributed, with justification, to oil. The shortfall in projected foreign earnings, said one economist, is the result of government planners predicting international prices at about $18 per barrel.

The softness of the oil market coincided with indications of maturity in the Trinidad and Tobago oil industry, where production began declining. The government, in an effort to reverse the decline which has averaged 3 per cent per year since 1978, has offered new tax incentives.

Although earnings from oil have fallen by about 35 per cent since 1980, the sector is still the largest in the economy, accounting for 22 per cent of gross domestic product.

Consequently, lower prices and reduced production have had a crippling blow on the balance of payments and the fiscal accounts.

"The problems of the petroleum sector are being tackled on two fronts," explained Mr Rupert Mends, permanent secretary in the energy ministry. "Firstly, there are incentives to increase production, and secondly, in the medium to longer term, there is an effort to increase the pace of exploration."

Trinidad and Tobago has total oil reserves of about 600m barrels - enough for another decade at current rates of production - but more than half of these are in marine fields. It was in an effort to stimulate increased exploration that the government lowered rates for incremental production.

"The government has sought to encourage production by lowering the supplementary petroleum tax for incremental production above a base level set at the end of 1987," said Mr Frank Look Kin, chief technical officer in the Energy Ministry.

He said: "At the beginning of this year the tax rates were reduced from 58 per cent to 20 per cent for marine production, and from 15 per cent to 5 per cent for onshore production."

Mr William Demas, governor of the Trinidad and Tobago central bank, said it will be 'some time' before the reduced tax rates have a marked effect on production. "It could lead to a halt in the decline in crude production in 1989, and create the basis for an increase in output in 1990."

Production last year was 155,200 b/d, slightly less than 1986. Mr Mends said this year's figure will be about 150,000 b/d.

For the first time in seven years, new bids are being invited for drilling rights in an effort to lift output. There has been strong investor interest from local and foreign companies, including Mobil, Total and Amoco. "There is a move to develop heavy oil reserves, especially on the west coast where there are reserves of about 100m barrels," reported Mr Look Kin.

Two companies, Trinmar and Trintoc, are to drill just over 200 wells to exploit the heavy crude, with the entire project costing about US $125m.

At the same time, the government is increasing its presence in the oil industry, dominated by the US-based Amoco company which accounts for just over a half of national output. Now about 40 per cent of the production is by three state-owned companies.

Three years ago the government bought the 49 per cent stake of the Tesoro Oil Company of Texas in the Trinidad-Tesoro Oil Company, and became the sole owner. This followed the government's purchase of a 320,000 b/d refinery from Texaco of the US.

Refining operations have been rationalised, with one company with two plants - that purchased from Texaco and a second facility rated at 80,000 b/d. But refining throughput has fallen steadily from just over 400,000 b/d in in 1970, to 80,000 b/d this year. Reduced production, with a halt in imports of crude for refining in 1985, contributed to the decline.

The limited reserves of oil have forced increased concentration on the exploitation of natural gas fields with which the country is well endowed. Proven gas reserves are 16.6 trillion cubic feet, with probable and possible reserves at 22 trillion cubic feet. Current production is just under 600m cubic feet per day.

OIL PRODUCTION (Barrels per day)

1970	139,855
1975	215,400
1980	212,057
1981	189,335
1982	177,038
1983	159,854
1984	169,513
1985	176,052
1986	168,877
1987	155,180
1988	150,000*

*Est. Source: Trinidad and Tobago Energy Ministry.

In efforts to reduce the economy's dependence on oil, gas is being used as the basis for a growing petro-chemical sector based on the production of ammonia, methanol and urea in south Trinidad.

Production will increase as new plants are built and new fields exploited. Amoco, which produces about 80 per cent of the country's gas, is developing a major new field which could yield up to 350 million cubic feet per day.

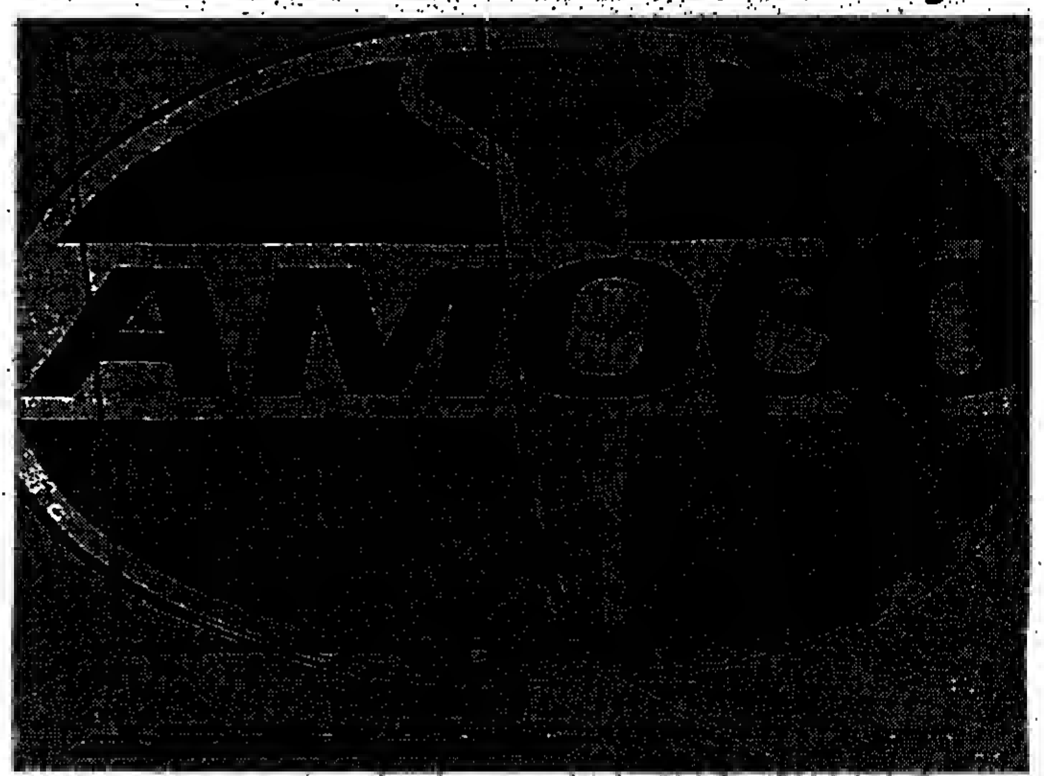
But the most significant development is a new field on which drilling is to start by the middle of next year.

Located off the south-east coast of Trinidad, the field is being developed by a new company, Trintomar, in which the state-owned Trintoc and Trintopec will each have a 40 per cent stake, with the remainder being held by the National Gas Company, also state-owned.

The field is being developed at a cost of $150m, with production beginning at the end of 1989 with 350m cubic feet of gas per day, and 15,000 barrels of condensate per day, being produced initially.

Government officials say the Trintomar project will reduce the country's dependence on Amoco for gas, and will also avert an impending shortfall in gas supplies.

Canute James



As oil storage tank is given a paint job: Amoco dominates the country's oil industry

This disused [illegible] has been given a facelift as part of a tourist project on Trinidad

TOBAGO

The Cinderella island

IT IS DIFFICULT at first sight to imagine the people on Tobago having anything more to worry about other than the state of the tide.

This fairy-tale island, the smaller sister island to Trinidad, has all the beauty and charm the other for the most part lacks. Palm-fringed white beaches, coral reefs and lush vegetation give it a natural, unspoilt beauty of which the locals are proud and glad to return to after a trip to Port of Spain. And like any hinterland in relation to the metropolis, its people are friendlier and more easy going than those on the main island.

But Tobago is also the Cinderella of the relationship. Trinidad has the oil and natural gas, the factories and heavy industry, the financial sector and the seat of government — in short the jobs. Tobago has only fishing boats and coconut trees and, until the oil price boom, lagged significantly behind Trinidad in provision of social services and basic infrastructure, and indeed does still today.

Beauty, however, has not been enough to keep the island's youth. The cost of living is high and incomes are low. The lure of the big city and cosmopolitan life for the young people is the bane of rural communities the world over, and affects Tobago in the same way.

Many are leaving for the larger island in search of work, but even there unemployment, presently over 20 per cent, is rising with every likelihood of getting worse. Emigration of the better minds and more adventurous souls is a constant problem and one which an island of only 44,000 people cannot afford to sustain for long.

Tobago has 6 per cent of the total land area of the two islands, but only 3 per cent of the 1.2m population of the two islands combined.

One local boy who stayed and made good however, is the present Prime Minister, Mr A.N.R. Robinson. He is leader of the Democratic Action Congress, a Tobago-based party and which won the two Tobago constituency seats in the 36-seat National Assembly in December 1986 elections. The fact that he was chosen as the leader of the various parties that made up the NAR coalition, was in itself a recognition that Tobago needed greater representation at national level, and was seen as a suitable means of not only calming independence-minded voices on Tobago but also of balancing the more dominant and opposing factions within the NAR, namely the ULF of Mr Basdeo Panday and the ONR of Mr Karl Hudson Philips.

The fact that major efforts are now under way to develop Tobago's infrastructure — the port and airport are being substantially expanded — and thus its tourist potential, is in no small part due to Mr Robinson. That will be sufficient to ensure him of a political future upon the island, even if he is eventually swept aside by the more powerful forces and voices in Trinidad itself. Which raises an old question of succession and independence.

The Cinderella-like relationship of the past has led to calls from Tobagans at various times for secession from Trinidad. Indeed, Mr Robinson was at one time one of those voices and which resulted in opponents launching wild accusations against him that he was receiving support from Cuba for such a move.

Trinidadian fears of a secessionist movement still linger and only last month one of the thriving gossipy weekly newspapers, published in Port of Spain, accused Mr Robinson of raising the secession issue at a local constituency meeting.

Even though the report was not substantiated, the fact that the newspaper bothered to mention it at all is indicative that people on both islands remain sensitive to the possibility.

Although both islands were discovered by Christopher Columbus in 1498, they were not united politically until 1888. Spain controlled Trinidad until 1797, when it was taken by a British fleet and subsequently incorporated into the British Empire. Tobago was not settled by Europeans until the mid-17th century and was then fought over by the French, Dutch and British, the last named finally winning out in 1802.

After slavery was abolished in 1834, sugar plantation owners in Trinidad brought in indentured labour from India and the far east from 1845 until 1917. As a result the present inhabitants of Tobago are almost entirely of African descent, whereas in Trinidad the African and Indian communities are of the same size.

These historical and cultural differences together with the geographical separation and economic dominance of Trinidad, have thus generated the sense of individuality of both islands, and possibly to proud indifference of many Trinidadians to their neighbours on the smaller island.

One 45-year-old taxi driver told me he had never visited Tobago, a mere 12 minutes away by aircraft or a five-hour boat trip. "I have everything I need here in Trinidad," he said. As a Tobagan commented: "A lot of people there say the same, and it's not as though they need passports to come".

Mr Robinson's rise to the principal political post in the country may help to change those attitudes as may his efforts to develop Tobago's tourist potential.

But were he to be eventually forced from, or voted out of office, due to the pressures upon him within the Trinidad-dominated political scene, some of his opponents speculate that he might indeed think again about a secessionist option for Tobago.

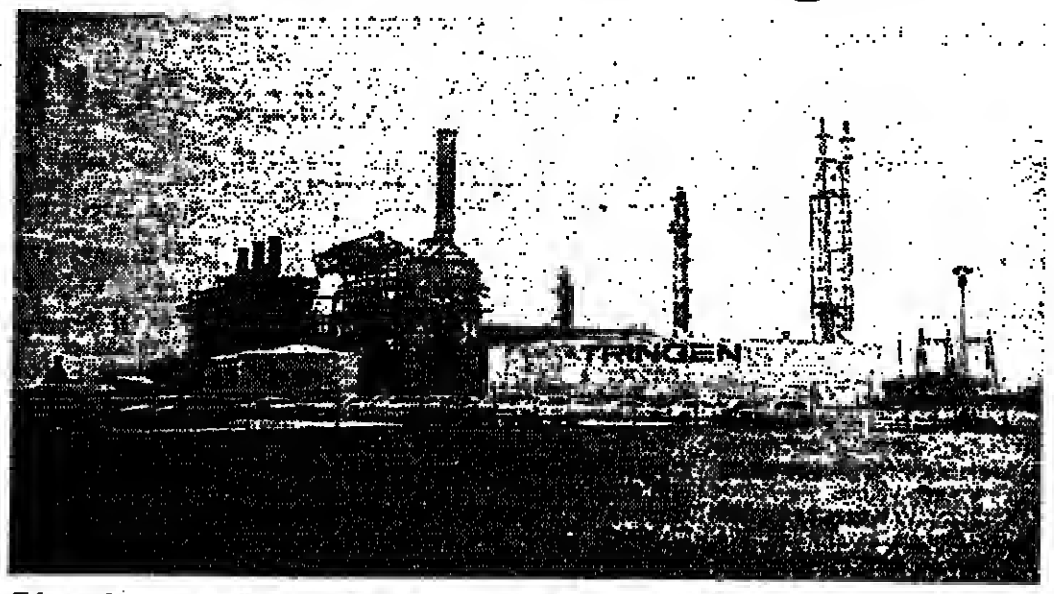
His DAC party won 66 per cent of the votes in the 1986 elections in Tobago, making him a big fish on a small island so to speak, and who is now an internationally-recognised figure. It would be an option that would have to be taken seriously.

Tim Coone

Palm trees sway at a Tobago golf club

Fuel is basis for new industrial sector

Switching to natural gas



Tringen has a capacity to produce 400,000 tonnes of ammonia a year

TRINIDAD and Tobago's efforts to ease dependence on oil have led it to use its plentiful natural gas as the basis for a new sector. The gas is being used to build a heavy-industrial and petrochemical plants. Most of the plants are located on a 2,000-acre industrial estate in southern Trinidad, also the site of a steel mill which was conceived as the vanguard of the country's move to industrialisation.

Except for Puerto Rico, Trinidad and Tobago is now the most industrialised island in the Caribbean. But the results of the effort to develop the heavy industrial sector have been mixed.

"Bitter-sweet is how I would describe it," said one government official. "We have lost quite a bit on some, and we are earning money from others." A World Bank study on Trinidad and Tobago's gas-based industries concluded: "Actual direct value added from the gas-based industries has been less than one-sixth of what was expected because of difficulties with plant start up and unexpectedly depressed international markets.

"In addition, the anticipated ... proliferation of linked industries such as component supplies and downstream processing was constrained by doubts concerning the viability of the gas-based industries."

The study, however, offers some hope to the sector. "Although cost overruns and teething problems were severe ... all the Trinidad and Tobago gas-based plants are technically efficient, and ... they are all potentially competitive at prices governing the replacement costs of an efficient new producer." The petro-chemical sector is based on four ammonia plants, one methanol producer and a urea factory. They all appear to have done better than the steel plant, the Iron and Steel Company of Trinidad and Tobago (ISCOTT). The integrated mill, which began operations in 1981, cost US \$460m (£275m) to construct. It has two direct reduction plants with a total capacity of 900,000 tonnes per year, and rated capacity for 700,000 tonnes of billets and 600,000 tonnes of wire rods annually. However, the plant failed to lift output above 30 per cent of its rated capacity in its first five years. It lost about US \$250 between 1984 and last year, and is projecting net profits of about \$50m between next year and 1990. ISCOTT was also set back by the loss of a significant part of its US market for wire rods when US steel producers argued that the Trinidadian company was not a commercial producer because of its access to subsidised fuel, and was effectively dumping the product in the US.

The operations of the company improved when Hamburger Stahlwerke of West Germany and Voest Alpine of Austria began to run the plant under contract from the government two years ago. Mr Ray Robinson, the Prime Minister and Finance Minister, said the government wants to divest the mill, and is speaking with prospective investors. The gas-based petrochemical sector is more promising. With its ammonia and urea plants, Trinidad and Tobago has become the world's second largest exporter of nitrogenous fertilisers after the Soviet Union, according to government officials. The fertiliser plants represent investment of US \$802m, with exports last year totalling 1.35 million tonnes, and expected to reach 1.8 million tonnes this year. Exports of urea last year were 425,700 tonnes. The fertiliser industry got its start in the 1950s when W.R.Grace of New York established an ammonia plant, Fedchem, in Trinidad, with average output of 220,000 tonnes per year. The recent increase in production began in 1977, when the Grace company and the government joined forces to establish a new company, Tringen, with rated capacity of 400,000 tonnes of ammonia per year. The government owns 51 per cent of the venture, with W.R.Grace having the marginal minority stake. The Trinidad and Tobago government also has a 51 per cent stake in a third ammonia plant, Fertrin, which began operations in in 1981 as a joint venture with the Amoco Oil Company. The plant has a rated capacity of 750,000 tonnes per year. The increase in ammonia production this year will come from a new plant, Tringen 2, built by W.R.Grace, and which has a rated capacity of 500,000 tonnes per year. As with the earlier joint venture, the Trinidad and Tobago government and W.R. Grace have a 51 per cent and a 49 per cent stake, respectively. Industry spokesmen say the agreement between the partners will see Grace purchasing 40 per cent of the production of the plant on a take or pay basis, with the rest being sold on the open market either on short term contracts or spot sales. The government is expecting revenues of about US \$1bn during the 15-year operational life of the plant. The urea plant is wholly owned by the government. Built by Snamprogetti of Italy, it has a rated capacity of 600,000 tonnes per year. The major markets for Trinidad and Tobago's fertilisers are the US, Central American countries, the European Community and India. According to the Central Bank, the expansion of production of nitrogenous fertilisers is continuing. "For the first six months of 1988 production of nitrogenous fertilisers reached 1.01m tonnes, exceeding output in the corresponding period of 1987 by 16.8 per cent," the bank reported. "The quantity of of fertilisers exported between January and June 1988 amounted to 899,900 tonnes, 23.6 per cent more than exports in the first six months of 1987." The bank said the increased output was the result of the start of Tringen 2.

The methanol plant plant is wholly owned by the government, and started production in 1984. Output last year was 425,000 tonnes, with exports at 405,000 tonnes. The World Bank study describes the plant as being "technically efficient," but it says the company has a debt to equity ratio of 2:1. "The break-even price needed to service the full 1988 debt burden is US \$135 per tonne, whereas the Bank projects prices of \$110 per tonne into the mid-1990s." But the Trinidad and Tobago central bank reports brighter prospects for methanol. "Prices for contract customers in western Europe averaged US \$190 per tonne (fob Rotterdam). In June, methanol prices in Western Europe averaged \$197 per tonne, the highest level since 1983."

Canute James

Revenue shortfall reduces ability to pay subsidies

Islands seek investors for state enterprises

THE REVENUE shortfall being experienced by the government has reduced its ability to continue subsidising some of the 67 state enterprises, and efforts to divest several of these are being made with some urgency.

Government officials have put in some doubt the government's ability to honour an earlier undertaking to continue providing financial assistance to these state companies which can be made viable.

Running up losses, to be met by the budget, is only half the problem of the state enterprises, which include the country's sugar mill and refinery, oil and gas companies, petrochemical plants, a steel mill, power, telephone and telecommunications companies, and an international airline.

Just under a half of the $474m (£284m) which the country will pay in servicing its foreign debt next year will represent repayments of loans to the state enterprises.

Between this year and 1991, principal and interest payments on the foreign debt of the state enterprises will total $768m, unless the government obtains the refinancing agreements it says it is seeking.

"One utility company alone, in the space of two years, incurred foreign liabilities to the extent of $333m," reported Mr Ray Robinson, the Prime Minister and Finance Minister. "The government is faced with the alternatives of either restructuring some of these companies or shutting them down altogether." He has described the state sector as being an "unholy mess" with almost all of the companies "in some kind of trouble or another." He said discussions are being held with prospective investors in several state companies.

"One of these is the telephone company which has incurred a high proportion of the debts of the state enterprises," Mr Robinson reported. "We are also discussing the divestment of ISCOTT, the iron and steel company." Several companies, including British Telecom, Cable and Wireless and Northern Telecom of Canada, have been discussing the purchase of the 49 per cent share of the telephone company which the government wants to divest.

Government officials say the administration is particularly keen on finding a foreign partner which will take over or lease the steel company. The plant, which started operations in 1981, cost $460m to build, and Mr Robinson said recently that it will require support from the treasury of $55m per year until 1992 and $27m per year afterwards.

Another company likely to be among the first offerings for divestment this year is the Trinidad Cement Company which was bought by the government in 1976 and kept alive by subsidies until 1984. The company has 1,200 acres of quarrying operations and a plant on 100 acres. Its assets are valued at $69.5m but it recorded a $5.25m loss last year.

Mr Patrick Manning, the opposition leader, said he was not happy with the manner in which the government was implementing its divestment programme.

"While we are in support of divestment, we are not in support of privatisation," he explained. "The most pragmatic course is a mix of private and public ownership. The government is simply looking for injections of cash, such as the situation with BWIA."

BWIA, the state-owned airline, is not up for divestment, say government officials. Mr Manning's reference is to a sale and lease-back agreement concluded with GATX Leasing of New York, involving three of the company's aircraft, and which is earning the country $87m.

But the prime minister has denied that the government is indulging in outright privatisation. "In some cases, where necessary, we will expand the state sector," he explained. "On the drawing board are new joint ventures in some cases with local capital and widespread participation. In some cases foreign capital will be utilised.

If we get out of one enterprise, it does not mean that we are getting out of all enterprises. What we are doing is making ourselves more capable of entering into new enterprises and managing those we retain in an efficient manner."

It appears, however, that with the rapid deterioration on the country's foreign reserves, and the revenue shortfall which has caused a cutback in subsidies to the state sector, the government may be forced more quickly into the direction of privatisation.

It is now clear that the treasury cannot even contemplate last year's demand from the state companies for financial support totalling US $750m "about one half the current expenditure for the year," Mr Robinson said.

Bankers report also that more urgency in divestment of state enterprises is likely following conclusion of a stand-by agreement which the government wants to negotiate with the International Monetary Fund.

One banker said: "One of the conditions on which the IMF will insist, without a doubt, is a reduction of the fiscal deficit and measures to increase foreign reserves. On both counts the state enterprises are a liability."

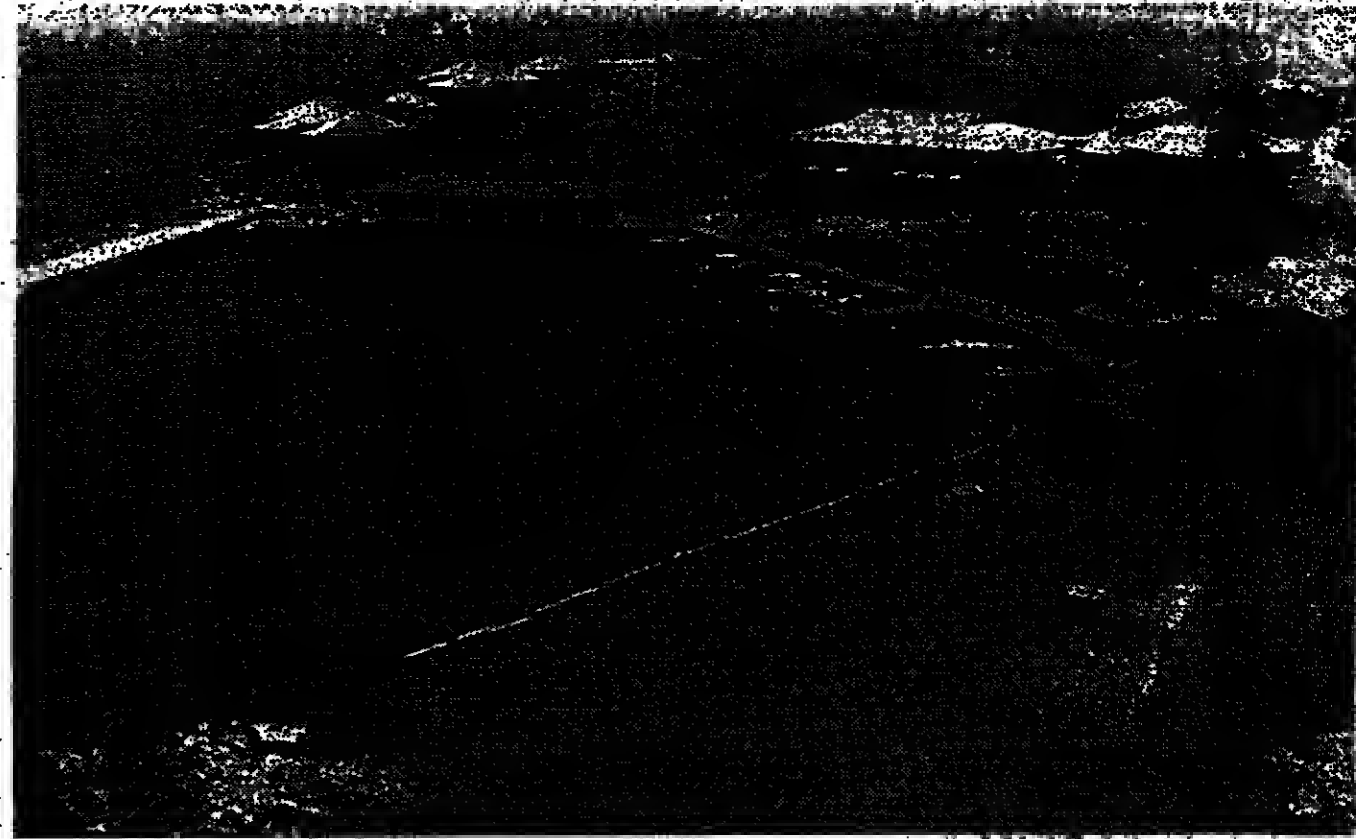
It appears unlikely, however, that the state companies which have not been making money can be quickly turned around to make them viable proposals for investors.

"While the local private sector has made certain significant investments, it has not ... demonstrated a willingness to extend the frontiers of production," reported a government-appointed committee.

The committee concluded that there could be few takers for most government companies as, "in very many cases, these enterprises at best, make an inadequate return on their investment and indeed make very large losses which have to be covered through taxation."

Canute James

Spectacular scenery abounds on Trinidad and Tobago



Wish you were here: One of the popular beach resorts on the islands

It is not only beaches and palm trees that attract visitors

Cultural diversity is key to tourism development

CALYPSO and the steel band are as much ingrained into the culture and life of the people of Trinidad and Tobago as its beaches, its rum, its oil refineries, and the tar lake – asphalt from which is reputed to have surfaced roads throughout the world.

Indeed, the sugar and oil industries indirectly gave rise to the music and the instruments – the music for its black African roots, while the steel pan instruments with their characteristic sound were, and still are, fashioned out of 45-gallon oil drums.

The living conditions and politics that surrounded these industries in turn became the subject of numerous calypso songs, adding biting social commentaries in an easily digestible form to complement political agitation.

But while the oil industry has become the dynamo of the economy, the culture that it gave rise to has been allowed to languish, largely ignored by both business and government, allowing bands from other Caribbean countries and even Britain to pick the music style up, adapt it and then claim it as their own.

The decline in the oil industry in recent years has caused planners to reflect upon this heritage. For together with the islands' unspoilt beaches, year-round sun and growing unemployment problem, they have realised that they have all the basic pre-requisites to develop a strong tourist industry.

The Government's recently-published seven-year planning framework document notes that tourism "is a potentially important source of employment as well as net foreign exchange earner."

It adds that Tobago's tourist potential must focus on its beaches, coral reefs and water sports possibilities, while development of Trinidad must emphasise its cultural diversity, flora and fauna and "its festivals, famed steel bands and calypso."

Maybe it was this that prompted one cynic to poke fun at the Government's economic difficulties by pointing out that the steel band (which can have as many as 90 members and uses little electronic support) is one of the most labour-intensive industries on the islands.

Mr Ken Gordon, Minister for Industry and Tourism, insists though that the sector is capable of rapid growth.

Present government efforts are directed at extending the runway at Tobago Airport to enable it to handle large jets, and to enlarge the island's port to cope with cruise ships and the additional cargo that will pass through there as the tourist trade expands. Work should be completed on these projects next year.

A total of 250 new hotel rooms are now under construction on Tobago, while the aim is to increase the total number of rooms available on the two islands from 2,100 to 3,600 over a five-year period, with most of the new construction taking place on Tobago.

This will still leave Trinidad and Tobago substantially behind Barbados and Jamaica, for example, which have 6,500 and 11,300 rooms respectively, but it will none the less signify substantial growth in the sector, Mr Gordon says.

Until now the sector has been "hindered ... by deficiencies in the supporting infrastructure and poor marketing strategies," according to the planning document.

The private sector has so far responded well to the plan, urged on by investment incentives including 10-year tax breaks, accelerated depreciation, and the waiving of import duties on construction materials and equipment. Mr Gordon says the target of 1,500 extra rooms by 1992 is likely to be reached ahead of schedule.

It is the ancillary services and related infrastructure that remain deficient, however, and this will require attention if a balanced development of the sector is to be achieved.

For example, as the visitor approaches the famous pitch lake in the south, the condition of local roads, ironically, becomes progressively worse.

Finally, on arriving, he or she is immediately harangued by a group of shouting, half-drunk tour guides all demanding to be their official guide – to the point that one is tempted to get away as fast as possible.

The public transport system on both islands is somewhat obscure to the visitor, functioning around "maxi-taxis" which operate along fixed routes, but which only local people seem to know since there is no published map of the routes.

Individual taxis are expensive, while only local companies are permitted to set up car hire firms, making the service not the best or most competitive on offer.

These and other basic problems will have to be dealt with if the Government hopes to compete with other, more developed centres in the Caribbean and to make the most of its new investments – and especially if it intends to aim at the upper end of the market, as stated in the planning proposal.

These limitations have their repercussions for local traders. A woman who runs a small business on one of Tobago's best beaches, at Pigeon Point, says: "We hope the business grows but right now I make more out of local trade, and if I expand at the moment I will probably do so only on the basis of local trade."

One concern of Tobagan people is that tourist development will be limited to a few capital-intensive projects with few spin-offs for the rest of the population. At the other extreme there is also a fear that an over-rapid expansion will ruin the island and the image of peace and tranquility it projects.

An encouraging sign is that the Government appears sensitive to these feelings and is organising a series of public forums for all concerned with, and affected, by the tourist trade. People will be able to air their views, which is a step in the right direction.

Tim Coone

FINANCIAL TIMES
COMPANIES & MARKETS
Monday October 3 1988

INSIDE

Allied-Lyons takes to the bid barricades

Allied-Lyons, the UK food and drinks group, is on bid alert — for the second time in two years. Mr Alan Bond (left), the predatory Australian, has raised his stake in Allied to at least 11 per cent, and the UK company is assuming he will eventually contemplate a bid. Lisa Wood looks at Allied's defences. Page 30

All eyes on Eurobond stakes

The Eurobond market, although awash with cynics, may be heading for a record year. The last 12 months has seen the development of "a genuine improvement in sentiment" and a recognition of the need to conduct business profitably. But individual jockeying for market position persists as many clients keep close watch on latest rankings in the Eurobond league table. Page 28

Cowboy spirit of American small business

The US has an obsessive and unhealthy enthusiasm for small businesses — a product of America's long-standing "cowboy spirit" of individual enterprise. That, at least, is the contention of a controversial new book which sees this as a major part of the explanation for the sudden decline of the once dominant US semiconductor industry. But the book's arguments are questionable on several grounds, maintains Christopher Lorenz in the Business Column. Small can still be beautiful. Page 46

Seibu logic takes it abroad

Fraternal rivalry or simply compelling business logic. One or both could be the motivation behind the £1.2bn takeover of the InterContinental hotel chain by the Tokyo-based Seibu Saison group. Whatever the reasons, the move represents a dramatic policy shift for one of Japan's leading consumer goods companies. Tony Jackson in Tokyo reports on one of the biggest overseas acquisitions ever from a Japanese company. Page 27

Market Statistics

Principal Companies Covered

Mercurial sugar baron waits for dust to settle

Alan Friedman meets Raul Gardini, head of one of Italy's leading industrial groups

Raul Gardini - talking boldly about new acquisitions

Raul Gardini says he has no regrets. After months of controversy about the share deals tied to his restructuring of the Ferruzzi-Montedison group, the 55-year-old sugar baron from Ravenna reckons he is finally in the clear. His debt problems are being sorted out, profits are flowing in from the buoyant chemicals sector and a new corporate structure is about to be explained to institutional investors around the world during a road show that kicks off this morning.

The mercurial Mr Gardini, whose takeover of 42 per cent of the Montedison chemicals concern has made his Ferruzzi empire Italy's second biggest private sector conglomerate after the Agnelli group, is hoping that after the turbulence of the last few months he will now be able to persuade foreign investors that his newly quoted shares represent a good buy.

But when asked to respond to the sharp criticism from Italian and foreign investors and analysts about his alleged asset stripping of Montedison's financial services subsidiary in the Ferruzzi restructuring, about the valuations used in the deal and about charges that he has ridden roughshod over the interests of 100,000 minority shareholders, he remains unbowed.

Criticism, he says, poured in simply because "this was a new operation by a new group". Besides, he adds, "you don't get anything done if you wait for the consensus of everyone."

The message that Mr Gardini's men want to get across instead is the remarkable transformation of his Ravenna-based empire - in just three years - from agriculture and commodities trading to a diversified conglomerate that also includes composite materials, bulk pharmaceuticals, energy and petrol stations, insurance companies and newspapers.

In a lengthy interview at his Milan office Mr Gardini did succeed in outlining a more coherent financial and industrial strategy than has been apparent in recent months. The new-look Ferruzzi can be summarised in three key elements:

● The reordering of the group places Ferruzzi Finanziaria (Ferfin) at the top of the pyramid as a master holding group that includes the Montedison stake. Ferfin is 39 per cent owned by the Ferruzzi family and plans to sell before Christmas a further 34 per cent of Ferfin shares that are now cross-owned by Montedison. This should raise about L1,000bn ($714m).

● The transfer of Montedison's basic chemicals, fibres, elastomers and fertilisers assets to a new joint venture company with the state-owned Enichem shifts L3,500bn of debt off the Montedison balance sheet. The Enichem deal also allows Montedison to concentrate on its strengths in value-added polymers and pharmaceuticals.

● The recent sale of other assets such as the Standa retail chain helps to reduce debts further.

The Gardini story is certainly an unusual one. In 1985 the yacht-loving Ferruzzi boss was presiding over a multi-billion dollar sugar, soybean, cereals trading, shipping and agricultural empire that was unquoted, unconsolidated and uninterested in any public disclosure. But three years ago Mr Gardini began stalking the Montedison group in Milan, Italy's biggest chemicals concern and a company that was being turned around by the brilliant management of Mr Mario Schimberni, the maverick chairman who would eventually be ousted by the selfsame Raul Gardini.

By the end of last year Ferruzzi and Montedison were reeling under a combined debt burden of nearly $9bn, a total that had mounted as Mr Schimberni spent billions to take full control of the Himont composite materials group in the US, the Erbamont pharmaceuticals group and the Antibioticos drug company in Spain. The irony is that today Mr Gardini recognises the wisdom of these purchases, which now form the core of the new Montedison.

When the stockmarket crash of last October ruined plans for a rights issue to reduce Montedison debt Mr Gardini says he came under pressure from Citibank, which had put together a $1bn revolving credit facility for the company. So he went to the 80-year old Enrico Cuccia, the *eminence grise* at Mediobanca, the powerful Milan merchant bank.

Cuccia designed a labyrinthine restructuring that removed from Montedison its prize Meta financial services subsidiary and transferred it to Ferruzzi. This plan, when it was announced, sent the Milan bourse into a tailspin as investors denounced a deal they said would benefit Ferruzzi and no one else.

Next year, when the dust has settled, Ferfin ought to be able to produce a consolidated balance sheet that is more straightforward than the present transitional state of affairs. Several analysts in New York and London say they still find it hard to decifer what the Ferfin balance sheet really means and that is why the Gardini road show takes off today.

The confusion stems largely from accountancy technique they use. For example, the Ferfin pro forma consolidated balance sheet for 1987 (and the first-half figures for 1988) does not include the commodities trading business that last year amounted to more than $3bn of turnover.

The projected full 1988 Ferfin net profit, which is forecast at L640bn (against L168bn in 1987) does include Meta, but would drop back to L232bn were it not for an extraordinary credit from the sale of Standa.

Mr Gardini, meanwhile, speaks boldly about new acquisitions in future that will ensure that Ferruzzi is "a global group". In which sector? "Who knows", replies the grinning billionaire from Ravenna, adding that "as you stroll along the street you tend to come upon interesting things."

How single-issue minorities build the platform

Anthony Harris
in Washington

The most important fact about any US presidential election is that only a little over half the people on the register are likely to vote, and that most of those who do only make up their minds at the last minute.

This explains why the the markets seem so slow to celebrate George Bush's current lead in the polls. Opinion polls are often a poor guide to the outcome. President Truman overcame an enormous lag in the polls to win in 1948, and President Ford came quite near to repeating the trick in 1976. It also explains why in every election the candidates are accused of avoiding the issues, and wasting their time on apparently marginal questions such as abortion.

These questions are not marginal when it comes to getting elected, because they are not marginal to significant minorities of Americans. The single-issue fanatics, whether they are concerned with the right to life (i.e. the abortion issue), the quality of the environment, gun law or the size of retirement pensions, may have no fixed party allegiance, but they are likely to cast their vote.

So are those who may have very little everyday interest in politics, but are open to chivvying from people they respect. "We organise the black vote in the churches", a Democratic committee-man in Georgia explained to me. In other states it is the Republicans who get the call on Sundays. Success may lie in getting enough trade union organisers, or Kiwanis, sherriffs or rabbis to get the vote out. Majorities are built out of a host of minorities.

One issue which is getting a lot of time, and generating some bitter debate, is the environment. No doubt the parties' private polls could explain why, but there is no need to consult them.

The three main chemical companies, for example, have all recently invited concerned citizens near their most sensitive plants to join committees mandated to monitor pollution and decide on possiby expensive remedies. Du Pont is spending $500m on developing substitutes for CFC refrigerants and aerosol propellants.

This may show good citizenship, or good marketing, or it may simply show well-justified fear. The nuclear power plant industry has been killed by concerned minorities, and some of their customers among the utilities have been bankrupted.

Of course, it is not only in the US that green issues are becoming more and more central. Mrs Thatcher's rather startling conversion on this issue is probably based on scientific advice. The increased concern in countries such as West Germany and Sweden reflect a mixture of expert opinion and political pressure. Whatever the cause, and whether

> 'That dedicated minorities can have such a political impact without going to the trouble of organising a new political party is a valuable early warning system for the rest of the world'

the fears of the scientific community are well justified or not, green issues are soon going to be a very important fact of economic, as well as political, life.

This was well illustrated only a couple of days ago by a sober report from the Washington-based WorldWatch Institute on the immediate implications of global warming.

This year's US drought is already old news; demand will be met from stock, the slaughter of meat animals has been rather less than was feared, so on favourable assumptions the whole episode will soon be relegated to the footnotes.

The report tests the unfavourable assumption that there will be a second year of drought. It is worth adding that even a dryish winter, which would leave the underground aquifers depleted, would affect the crop next year.

The results are forbidding. This year's drought is likely to leave world grain stocks down to about 57 day's consumption (the official US estimate is only a few days higher), and the ploughing of the land left fallow this year under US commodity schemes would add only about 2 per cent to the world's acreage.

A bad crop would cause real shortages in world markets, and trigger the kind of long-term price increase which used to figure in the economic textbooks, until the green revolution made this prediction look silly.

The textbook reasoning was that since productivity in manufacturing was bound to rise faster than in farming, the terms of trade would move steadily against manufacturing; and the report suggests that this could prove true even if the weather returns to normal indefinitely.

Land productivity has hardly risen during the 1980s, because most farming is now based on the high-yield seeds and heavy chemical inputs which powered the revolution. There could be a second revolution based on biotechnology, but this is pure speculation. It seems to be time to brush up your Malthus.

The possible results of the greenhouse effect do not make the prospect of starvation much worse. The report suggests that there are swings and roundabouts, as old prairies dry out and colder regions become more productive. The move would be very expensive, though, requiring for example a $200bn investment in irrigation in North America alone.

Checking the effect is even more expensive, and more problematic. It means large scale reafforestation in the tropics (already emerging as a feature in some aid programmes), a huge cut in fuel burning, which may involve a search for a house-trained form of nuclear power after all.

These speculations may seem a long way from the US election, but it may make very little difference to the outside world which party wins this election.

The next President will find himself almost entirely boxed in on questions of economic policy.

However, the litmus test aspect of a US campaign remains fascinating. A country in which dedicated minorities can have such a political impact without going to the trouble of organising a new political party is a valuable early warning system for the rest of the world.

The 1988 candidates have little to say about economic strategy or trade issues: they and the electorate seem to recognise that in an interdependent world economy, the US cannot control its economic fate and must simply get on with housekeeping. But the minorities are proving that this simply subsitutes new problems for old. Education and the environment will be big issues everywhere.

Economics Notebook

Moving towards a new system

ADVOCATES of a radical overhaul of the world exchange rate system can draw some satisfaction from last week's meeting of the International Monetary Fund - as long as they are prepared to be patient.

The G-3 countries - the US, Japan and West Germany - made it clear that we are not on the verge of a new international monetary order. Two key prerequisites for such a shift are still lacking.

The first is the political will among governments and central banks to sacrifice their national discretion in setting monetary and fiscal policies. The second is sufficient confidence that the present pattern of exchange rates is sustainable in anything more than the short term given still large balance of payments disequilibria.

There are also broader philosophical objections to the blueprints produced by academics. The West Germany Bundesbank, for example, will not consider locking the D-Mark into any exchange rate system which does not match its own commitment to price stability. The US, meanwhile, is unwilling to give up the flexibility it still retains over the dollar. It prefers a pragmatic approach based on the development of economic policy and performance indicators rather than a leap to fixed or semi-fixed exchange rates.

That said, there is visible impetus behind the coordination process which began with the Plaza accord three years ago. No-one in Berlin mentioned a return to unfettered or free floating exchange rates.

Unless a new US Administration retreats into economic isolationism it is hard to see the momentum dissipating.

At one level, the G-7 countries are looking at ways to tighten the present ad hoc arrangements for exchange rate management. The present bands for the dollar, D-Mark and yen are extremely wide - over 15 per cent from floor to ceiling. They are also "soft", with movements outside the bands triggering consultations rather than automatic currency intervention or policy changes.

Some of the new ideas involve a much more explicit commitment to maintaining rates in narrower bands and providing rules for periodic adjustments. Others work backwards from firmer macro-economic policy commitments to provide the basis for less volatile currency markets.

In between, there are suggestions, like that of Japan, to improve the technical ability of central banks to intervene by accelerating the diversification of official reserves.

At another level, the IMF is trying to define the shape that the system might take in 5 or 10 years time.

Mr Michel Camdessus, the Fund's managing director, is under no illusions that a major shift can take place overnight, but is equally concerned that any incremental changes should have some sense of direction.

Up until now the Fund has been focusing on simply identifying the characteristics that any new system might have and those which it should avoid. Now it will look at the wider issues of international liquidity and the role of the SDR and at other possible anchors for the system.

France is trying to force the pace on both the practical and theoretical levels to get some agreement on priorities at least at next year's world economic summit in Paris. That may well prove over-ambitious - particularly if the dollar falls sharply after the US election - but it will be hard to reverse the present direction.

One-way bet

Mr Nigel Lawson, meanwhile, may have offered speculators in the foreign exchange markets a one-way bet.

His comments last week that a devaluation of the pound was an "entirely inappropriate" way to close Britain's current account gap were framed in the context of the medium term.

They also underline the fact that he cannot afford to cut interest rates again if the pound rises sharply in the short-term. Sterling would have to rise significantly above DM3.20 before the Government could even think about lowering base rates from their present 12 per cent.

Massive intervention to prevent an appreciation would also send entirely the wrong signal about the Government's anti-inflation resolve. It is now clear that the recent accleration in inflation may continue well into 1989.

Mr Lawson's analysis of the current account gap in terms of a excess of investment opportunities over savings has not deflected attention from the real problem - too much borrowing which finances too much consumer spending.

With fiscal policy ruled out as a policy instrument, the Treasury is left only with high interest rates to curb consumers' appetites for imported cars and videos and to turn around the current account.

Sterling does not look a good medium-term investment.

But within the extremely short time horizons operating in the foreign exchange markets, investors may conclude that the pound now combines a large and guaranteed interest rate differential with no significant currency risk.

Philip Stephens

THIS WEEK

FINANCIAL MARKETS will have to wait until Friday for what looks likely to be the most significant economic release of the week: the US September employment figures.

It will be remembered that it was the June and July employment data that prompted the Federal Reserve to raise its discount rate to 6.5 per cent from 6 per cent and the August figures, released a month ago, that prompted a three point rally in the US Treasury market.

The employment figures have become important for markets attempting to divine the future course of growth and inflation in the US. On Friday, figures will be released for non-farm payroll employment, the unemployment rate, hourly earnings index and aggregate hours worked index.

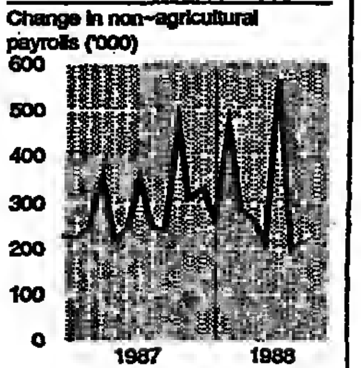
Consensus forecasts compiled by MMS International, the international economics pollster and forecaster, suggest that employment will rise by 283,000 (219,000 in August) and the unemployment rate will be 5.5 per cent (5.6 per cent).

If the figures are stronger than forecast then US markets may well switch their attention to the Fed's operation in the money market to see if it is nudging interest rates higher. Fed funds are currently trading around 8 to 8¼ per cent.

Although the employment figures should be the most authoritative indicator of activity in the US released this week, today sees the publication of the National Purchasing Managers' Survey for September and this too may provide a clue to the strength of activity in the US.

An index number of between 55 and 58 is regarded as being consistent with growth in the region of 3 per cent to 4 per cent a year. In August the index number was 56.2. The bond market could take heart

US Employment



if the September rating is lower than in August.

Those concerned with monetary policy in West German will be watching tomorrow's money market operation of the Bundesbank, the West German central bank. It is due to hold a securities repurchase tender for DM14.6bn.

The Bundesbank's 'repo' rate currently stands at 4.25 per cent and, despite some recent currency market intervention to support the D-Mark, analysts do not expect the authorities to raise the rate.

A similar money market operation with be conducted by the Bank of France on Thursday. Again expectations are that the authorities in Paris will maintain their intervention rate at 7 per cent.

The only UK figure due out this week is official currency and gold reserves for September. The MMS consensus forecast is for a fall in underlying reserves of $50m in the month.

Sometime during this week the West German authorities will release data for August industrial production and August new orders.

Today: US factory orders for August and construction spending for August.

Tomorrow: US domestic car sales, September; Australia, retail sales, July.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Gains attributed to buying-in by Bank

PRICES IN the gilt-edged securities ended higher last week, extending the gains made over the previous week. There was e parallel move in prices along the yield curve for the second week in succession.

To the dismay of analysts, yields for short-dated gilts appear to be discounting a cut in official interest rates, while the market for longer-dated stocks eppears to have undergone a Damascene conversion in respect of the inflation outlook.

This is regarded as strange indeed, given thet there has been nothing in the way of official data to indicate that the pace of expansion of domestic demand has shown any signs of moderating.

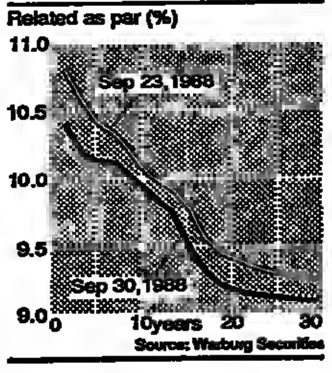
Last week'e trade figures showed the underlying deterioration in Britain's current account was continuing a pace, while the Bank of England's banking return indicated that that M0, the Treasury's key and targeted monetary variable, was growing at an annual rate of more than 8 per cent, fully 3 percentage points outside its target. So why has the market improved?

Its closing on a firm note on Friday cold be attributed to the performance of US Treasuries, but that explains only one trading session of a week with a quietly bullish undertone to it. Stock shortage, e new found decisiveness after the summer break, anabolic steroids, have all been advanced with degrees of seriousness for the two-week-long rally in prices.

As the analysts scratch their heads it is therefore not surprising that some have turned their attention to the operations of the Bank of England in the market. To them the Bank, through its buying-in activities, is distorting the market. To some it is also wasteful of taxpayers' money; to others it has potentially harmful consequences for the balance of payments and sterling.

Mr Stephen Lewis at Phillips & Drew and Mr Stephen Bell at Morgan Grenfell are the two most vocal of the Bank'e current critics. Mr Lewis believes that by its actions the Bank is artificially depressing yields for long-term sterling assets. This, he claims, is leading to an outflow of long-term capital at a time when the UK needs capital inflows.

UK gilts yields



Source: Warburg Securities

Such inflows as the UK is ettracting are, he says, "hot" speculative flows which can move in the other direction quickly when sentiment to sterling changes. He estimates that these flows of hot money may be as large as £15bn this year.

(As the accompanying yield curve chart shows, the area of the market which performed best last week was the short-end of the market. This reflects quite sizeable foreign demand for short-sterling instruments consistent with the rally in the pound last week.)

The effect on long yields of the Bank's activity is to depress them by around 1 percentage point from what it would otherwise have been

Mr Lewis arrives at this by assuming that conventional long yields are the sum of real interest rates (as defined by index-linked securities, currently around 4 per cent), inflation expectations (which he estimates at 5.5 per cent) and a 1 percentage point risk premium for holding conventional gilts.

The Bank currently stands in the market as a buyer of last resort, and has taken to buying stock et, or very close to, market prices. As such it is removing risk (and reward) from trading.

The scarcity of new gilts also means that a premium ettaches to existing stock. However, by its actions the Bank is concentrating that premium in one area of the market, paying for it itself, while at the same time issuing costly stock.

Simon Holberton

US MONEY AND CREDIT

Plunging oil prices boost sentiment

CONSIDERING that Wall Street bond markets could receive some fundamentally bad economic news this coming Friday, they put on a surprisingly spirited performance late last week.

The yield on the Treasury's benchmark 30-year bond dipped below 9 per cent for the first time in two weeks as positive factors, particularly plunging oil prices, kept investors and traders relatively optimistic ahead of the economic data.

The biggest concern is Friday's job figures for September, which are certain to show that the rate of job creation returned to the brisk trend evident this year, from August's temporary slowdown.

The best news was the comment from Dr Subroto, secretary general of the Organisation of Petroleum Exporting Countries, that oil prices could fall to $5 a barrel if Sandi Arabia carried out its threat to flood the world with excessive production. Industry analysts estimate the kingdom's output was around 5.8m barrels e day in late September, against a 4.3m barrel quota.

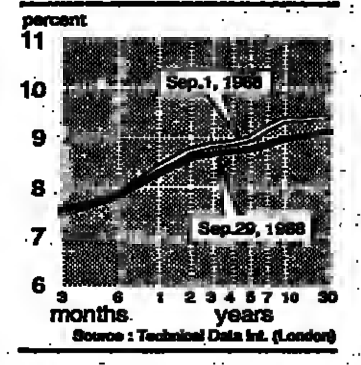
US oil prices tumbled, losing 55 cents a barrel on Friday alone. West Texas intermediate crude for delivery next month closed the week at $13.37 a barrel, its lowest level since August, 1986. The prospect of lower oil import bills, particularly in West Germany and Japan, weakened the dollar. It was also undermined by Ms Martha Seger, governor of the Fed, who said US trade performance would be hurt if the dollar continued to strengthen.

Bond markets broke their usual pattern of following the dollar lower – they saw lower oil prices and weaker export demand helping to reduce US inflationary pressure.

Bnt inflation jitters could resurface by the end of this week. A strong figure of, say, 300,000 non-farm jobs created in September could be explained away. The reporting month ran five weeks, for example, against August's four. Furthermore, the purchasing managers' monthly survey today is expected to show another small decline in the proportion of respondents optimistic abont continuing economic expansion.

But several other data substantiate the job figures' evidence of a re-acceleration in the rate of economic growth. The latest unemployment claims were moderate and the index of leading economic indicators rose 0.6 per cent in August while the declines in the previous two months were lessened by revisions.

US Treasury yields



Source: Technical Data Int. (London)

Against this background, the bond markets' will be running the very substantial risk of reversing their rally of the beginning of September. The long bond yield had fallen by about half e point to just below 9 per cent, largely on the hope that August's weak jobs figures indicated a slowing in the economic growth rate.

The likely pick-up in activity would push up fourth-quarter growth to 3 or 3½ per cent at an annual rate, about a point faster than the Federal Reserve considers the maximum for non-inflationary growth.

Most people on Wall Street think it unlikely, though, that the Fed will rush to tighten monetary policy to try to cool down the economy so close to the election. Firming action is probable once the voting is over, if the economy holds its course into the last six weeks of the year.

The Fed signalled last week that it was happy with the level of Fed Funds, the benchmark rate at which banks lend reserves to each other and one of its prime tools for influencing interest rates. From a present equilibrium level of around 8⅛ per cent, it jumped to around 9 per cent. This was clearly for technical factors, though, and the Fed quickly supplied reserves to bring it back down.

With many investors reluctant to buy bonds hecanse of the prospect of higher rates soon, the Treasury had rather a sticky auction last week.

Uncertainties still hang over whether the Treasury will be able to offer 30-year bonds at its next quarterly refunding in November. The price of long bonds has been tight because the conventional wisdom was that Congress would fall to increase the Treasury's issuing euthority in time. But with Congress entering its last week before taking an election break, the prospect of more long bonds is rising. Any new supply would most likely put some upward pressure on their yields.

Roderick Oram

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.24	8.17	8.15	8.24	6.27
Three-month Treasury bills	7.26	7.43	7.42	7.53	5.14
Six-month Treasury bills	7.79	7.37	7.76	8.04	5.74
Three-month prime CDs	8.17	8.13	8.37	8.51	6.77
30-day Commercial Paper	8.02	7.80	8.14	8.20	6.57
90-day Commercial Paper	8.24	8.02	8.36	8.40	6.65

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wk. ago
Seven-year Treasury	100⅝	+⅜	8.77	100⅛	99⅞
20-year Treasury	102⅞	+¾	8.97	102⅛	102⅜
30-year Treasury	101⅛	+¾	8.89	101	100¼
New 10-year "A" Financial	n/a	n/a	9.70	9.85	9.90
New "AA" Long utility	n/a	n/a	9.95	10.10	10.20
New "AA" Long industrial	n/a	n/a	9.90	10.05	10.10

Source: Salomon Bros (estimates).

NRI TOKYO BOND INDEX

December 1985 = 100	29/9/88	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	144.11	4.91	143.82	143.11	143.64
Government Bonds	144.57	4.62	144.21	142.99	144.86
Municipal Bonds	145.46	5.22	145.39	145.48	144.90
Govt.-guaranteed Bonds	147.87	5.21	146.83	147.02	146.22
Bank Debentures	138.98	4.76	138.97	137.49	137.72
Corporate Bonds	144.69	5.57	144.46	143.95	142.65
Yen-denom. Foreign Bonds	148.46	6.28	148.21	145.75	143.16
Government 10-year†	5.22		5.22	5.24	4.77

† Estimated par yield

Source: Nomura Research Institute

End of era as Ross quits Deutsche Bank

"THE END of an era" was the universal reaction to the news that Mr Stanley Ross, one of the founding fathers of the Eurobond market, was finally resigning as a managing director of Deutsche Bank Capital Markets to pursue other interests.

DBCM said Mr Ross requested early release from his second contract with the house, which he joined in 1985, but will be retaining a seat on the board as a non-executive director.

"Flamboyant," "idiosyncratic" and "ebullient" are only three of the adjectives used to describe Mr Ross, who has been a committed spokesman for the Euromarket since its inception.

"To say that Stanley was always at the forefront of market developments would be an understatement. He may not have the love of everybody in the market but he most certainly has their respect," commented one veteran syndicate manager.

After 12 years of international trading and arbitrage at Strauss Turnbull, Mr Ross first became involved with the fledgling Eurobond market with its very first issue, the Autostrade deal led by Warburgs. In 1968, while with Kidder Peabody, he led the move to use the central clearing system, Euroclear.

In 1969, Mr Ross was behind the first attempt to draft trading rules for the Association of International Bond Dealers, of which he remains a prominent member, making a stirring speech in favour of screen-based trading at the 1988 meeting in Dallas.

In 1971, he started the first market publication, the controversial Week in Eurobonds. With his own firm, Ross & Partners, Mr Ross pioneered grey market trading, which transformed the character of the primary market.

In 1980, he began to promote the idea of screen-based trading, working in the mid-1980s on a concept called AIBDQ, a project which metamorphosed into the AIBD's plans to introduce Trax, an automated screen-based trade matching system, expected to be operating next year.

Mr Ross's latest vision is of a Eurobond market where trades are executed via satellite. He intends to carry on with city consultancy work, to pursue his hobby of sailing and is thinking of writing a book about the history of the market.

Dominique Jackson

FT/AIBD INTERNATIONAL BOND SERVICE

STRAIGHT BONDS
FLOATING RATE NOTES
CONVERTIBLE BONDS
WARRANTS

[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = [illegible]. Closing prices on SEPTEMBER 30

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Maxwell acquires 5% of Bouygues

By Our Paris Staff

MR ROBERT Maxwell, the British media baron, has acquired a stake of just under 5 per cent in Bouygues, the leading French construction and media group whose shares have been at the centre of hectic trading on the Paris bourse.

But Mr Maxwell claimed in a newspaper interview that his stake in Bouygues was defensive. He said he had acquired the stake to support the Bouygues family from the threat of a possible hostile raider.

Mr Maxwell is associated with Bouygues as a shareholder of TF-1, the privatised French television network controlled by Mr Francis Bouygues, chairman and founder of the French construction group.

Bouygues shares gained 40 per cent in frantic trading last week before falling back on Friday when Bouygues announced it had consolidated its defences against a possible hostile bid.

Bouygues said it controlled, with its allies, 45 per cent of the voting rights in the group. Moreover, Credit Lyonnais and the Suez financial group, traditional shareholders of Bouygues, indicated they would consider increasing their stakes to defend the company's interests.

Bouygues has recently been at the centre of repeated takeover speculation since the company is widely expected to pose a big succession problem the day its veteran founder steps down or dies.

FRENCH CAR COMPONENTS SECTOR

De Benedetti returns to bid arena

By Paul Betts in Paris

MR CARLO DE BENEDETTI, the Italian financier, is returning to the forefront of France's increasingly active takeover scene by launching a bid this week for Epeda-Bertrand Faure, France's second largest car components group.

Terms of the bid by Valeo, the leading French car components group which came under Mr De Benedetti's management control two years ago, are expected to be unveiled today. They are believed to involve a share swap valuing Epeda at around FFr4.2bn ($659m).

Epeda shares have risen sharply recently and closed last Friday at FFr930 before they were suspended pending Valeo's bid announcement. At their last price, Epeda's market capitalisation totalled about FFr3.3bn.

Mr De Benedetti and Mr Noel Goutard, the former Thomson managing director recruited by the Italian financier to head Valeo, are widely expected to be in a strong position to clinch their unsolicited bid for Epeda.

Although Epeda, often rumoured as a takeover target, claimed earlier this year to control about 51 per cent of the voting rights in the company, many of its allies, including the UAP insurance group with a stake of nearly 10 per cent, are expected to back the Valeo offer. Morever, Valeo is understood to have accumulated nearly 5 per cent of Epeda before launching its bid.

The takeover further marks Valeo's efforts to consolidate its position as one of the leading European car components groups after successful recentring on its core car components businesses under Mr Goutard's leadership since Mr de Benedetti acquired 20 per cent and management control.

Valeo, which acquired control of the French Neiman car components group from Paribas last year, has just reported record first-half profits of FFr535m. It expects sales of FFr16bn this year, compared with FFr12.4bn last year.

The Epeda acquisition would increase sales this year to around FFr23bn and give Valeo control of one of Europe's leading car seat manufacturers as well as other car components and luggage activities.

Epeda also controls the French Luchaire car components group with interests in military equipment, which put Luchaire in the headlines last year in the so-called French arms-for-Iran scandal.

One of the most interesting aspects of the Valeo bid is the role the French state insurance group, UAP, is likely to play.

Under its chairman, Mr Jean Peyrelevade, recently appointed by the new Socialist Government, UAP is expected to adopt a far more active and aggressive role, with major shareholdings in a constellation of French industrial and financial enterprises.

A new approach to its French investment holdings by UAP, which last Friday acquired a 10.7 per cent stake in Sun Life Assurance of the UK after a stock market raid, could have widespread implications for French industry and finance by paving the way for a restructuring of the controlling shareholdings of several major French enterprises.

London listing for Mitsubishi Bank

By David Lascelles

THE SHARES of Mitsubishi Bank, Japan's fourth largest, are to be listed on the London Stock Exchange from today. The move extends the trend set last year when Fuji Bank became the first Japanese bank to list its shares in London.

Mr Hisaya Nara, deputy president, said yesterday that Mitsubishi had sought the listing to underpin its planned international expansion and widen its foreign shareholder base. Only 2 per cent of Mitsubishi Bank's stock is in foreign hands; the bank hopes to raise this to 5 per cent.

Like all major Japanese banks, Mitsubishi has considerable capital needs as it prepares to meet the new capital requirements set by the recent Basle Agreement.

It has about Y1,000bn ($7.46bn) in shareholders' funds and expects to increase this by retaining at least Y100bn a year over the next five years. In addition, it has raised Y300bn in equity and convertible notes.

Mr Nara declined to say how much more capital Mitsubishi will be raising in the equity markets, though he commented: "We will not do anything unfavourable for the shareholders."

Warburg Securities, acting as brokers to the listing, calculated that Mitsubishi will need Y877.2bn in equity from the market.

Mitsubishi Bank's international expansion will emphasise investment banking and the expansion of its share of the indigenous company loan market in countries like the UK. It recently opened an office in Paris and today opens another in Frankfurt.

Mr Nara said it was unlikely at this stage that Mitsubishi would enter the retail market outside Japan or make an acquisition in Europe. But he said that the bank was "working on its European strategy" in light of the European Community's plan for an integrated market by 1992.

Asked if he were concerned about the image of Japanese banks abroad as unfair competitors in the international markets, Mr Nara said he believed that Japan's recent efforts to liberalise access for foreigners to its financial system had lessened these pressures.

Six further Texas thrifts rescued

By Roderick Oram in New York

PURCHASERS with no experience in the savings and loan industry have taken on six insolvent Texas thrifts with total assets of $4.4bn.

Federal regulators will give them $2.5bn of financial assistance, more than doubling their commitment so far this year to troubled thrifts in the state.

In the larger of the two deals, Temple-Inland, a diversified industrial company, will lead a group of investors putting up $75m of capital to buy three thrifts with combined assets of $3.2bn.

The group includes Tramell Crow, the largest US real estate developer, and Mason Best, a Dallas investment bank. They will inject another $53m of capital by the start of 1991.

In the other deal, Club Corporation International, a Dallas company which is the largest golf course operator in the US, is injecting $25m of capital into three thrifts with combined asssets of $1.2bn. Mr Robert Dedman, Club's owner and a politically well connected Texas Republican, said the thrifts will help finance Club's real estate developments.

The Federal Home Loan Bank Board, the thrift industry regulator, had been pushing through rescues at a torrid pace in the past couple of months, giving rise to the term "McDeals."

It was acting rapidly because it believed new rules mandated by Congress would force it from October 1, the beginning of the Government's new fiscal year, to account in full for the notes it issued as financial support in rescues.

Notes issued previously are being booked only as the tranches are paid out, thus greatly reducing the severe strain on rescue funds.

It turned out last week, however, that the FHLBB had misread the rules. The changes have been in effect for sometime so the recent flurry of notes will be subject to the new accounting principles.

Pioneer Concrete advances by 19% on higher revenues

By Chris Sherwell in Sydney

PIONEER CONCRETE Services, the Australian-based building products and resources group, yesterday reported a 19.3 per cent increase in equity-accounted earnings to A$182.3m (US$143.5m) for the year to June, on a 10.3 per cent rise in revenues to A$3.6bn.

Although after-tax operating profits rose just 12.1 per cent to A$154.6m, they were boosted by a near-doubling of the group's share of associated companies' profit to A$27.7m. Earnings per share dipped slightly because of a one-for-five rights issue in July 1987.

Pioneer owns 42 per cent of Giant Resources, acquired during the year as a platform for expanding its gold and base metals businesses, and 49 per cent of Ampol Exploration, an oil and gas exploration group to which it has transferred some of its own interests in the US and Papua New Guinea.

But its core revenue-generating and profit earning businesses are in Ampol, the petroleum marketing and refining group in which it controls 100 per cent, and its building materials businesses in Australia and abroad, notably Spain, West Germany, Israel, the US and Hong Kong.

Yesterday's results reflected strong demand in Australia and abroad for building products, and good prices for minerals sands products. But Ampol's petroleum operations showed lower profitability, as did the uranium business.

In a significant move, the group announced net extraordinary losses of A$100m. A loss of A$143m arose from the reduction in book value of the Giant investment unit, and of A$64m on the premium Pioneer paid to acquire the remaining 19 per cent of Ampol. This was offset by a A$109m profit on the sale of exploration interests to Ampol Ex.

Of Ampol Ex's much-discussed interests in the Iagifu/Hedinia area of Papua New Guinea, the group repeated only that successful drilling of several holes had demonstrated that "the area contains significant oil reserves."

Directors declared a fully franked final dividend of 7.5 cents, making a total of 13.75 cents, up 10 per cent on the previous year, but on a larger capital base.

Rauma to raise FM180m for Jamesbury takeover

By Olli Virtanen in Helsinki

RAUMA-REPOLA, the Finnish metal and forest industry group, will raise FM179.5m ($40m) through a share issue to Finnish banks to finance the company's acquisition of Jamesbury, the valve making subsidiary of Combustion Engineering of the US.

The purchase price of the acquisition, announced earlier this week, has not been disclosed.

The unconventional issue consists of 5m new series I shares with a nominal value of FM10 each and offered at FM35.90. This compares with the latest quote of FM36 at the Helsinki Stock Exchange. Four million of the shares will be restricted to local investors only.

The underwriter will be Kansallis-Osake-Pankki, the Finnish commercial bank, which is understood to target the shares to half a dozen other financial institutions taking part in the financing operation.

The acquisition of Jamesbury, a leading manufacturer of rotary valves, doubles the net sales of Neles, Rauma's valve making subsidiary to FM1bn ($225m) making it the world leader in its field.

Neles Valves is one of Rauma's most profitable operations with annual sales increasing at an average rate of 10 per cent a year.

Jamesbury's strong position in the US, which accounts for one third of global valve demand, with further production units in Canada, West Germany and the UK, will give a big boost to Neles operations world-wide.

Alitalia hit by labour disputes

By Our Financial Staff

ALITALIA, Italy's state airline, suffered a drop in net profit in the first half as a result of industrial disputes and airport congestion.

Net profit for the period fell to L10.6bn ($7.6m), against L21.3bn on turnover which slipped to L1,691bn from L1,639bn. Operating profit was L44.6bn, compared with L79.7bn.

Alitalia, is a subsidiary of Istituto per la Ricostruzione Industriale.

Vizcaya plans foreign offerings

By Tom Burns in Madrid

MERGED super bank, the Banco de Bilbao Vizcaya, (BBV), is to make its international debut with a public share offering in New York and in the European markets valued at around $350m lead by Goldman Sachs in the US and by Salomon Brothers in Europe.

The Basque banking group said the aim of the flotation was to broaden the international base of the united banks, whose market capitalisation is around $5bn.

Banco de Bilbao and Banco de Vizcaya, as the two banks were known before the merger, are the trailblazers behind the creation of major financial institutions in Spain.

They formally became a single unit last Saturday.Their decision to merge was the catalyst for a similar move by Banco Central and Banco Espanol de Credito (Banesto), a banking group which lacks the international exposure of its Basque rival but which has a virtually blanket penetration of the domestic market.

The international share offering by Bilbao and Vizcvaya has no precedents in Spain but it is an example that market analysts say is likely to be followed by the future Banco Espanol de Cradito Central, the result of the Central-Banesto merger.

BBV shares will begin trading on the Madrid Bolsa today and shareholders of either of the banks will be able to obtain stock of the united concern on a one-for-one basis.

Eastern Air win on sackings

By Our New York Staff

EASTERN AIRLINES has won a further legal victory in its fight to stave off financial collapae with a federal appeals court ruling that it had the right to sack 4,000 employees.

The Washington court overturned a ruling in August by Federal District Judge Barrington Parker that Eastern, an operating subsidiary of Texas Air, the largest US airline company, could not dismiss the workers without bargaining in good faith first with their union.

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Domestic lending limitations bring back Italian banks

ITALIAN BANKS, painfully aware of the limitations of the domestic lending market, are returning to the Euroloan market after an absence of almost 18 months, raising funds in dollars and swapping the proceeds into low-cost floating-rate lira.

The domestic lira market still does not accommodate loans of longer than five years and is not liquid enough to economically absorb loans of any substantial size, bankers complain.

The latest name to join the Euroloan list is Esibanca, a medium-term lender, which is raising a $100m six-year loan.

The deal, arranged by Chase Manhattan, is structured similarly to a L300bn seven-year loan, drawable in dollars or D-Marks arranged just a few weeks ago for Mediocredito Centrale.

The deal is drawn in five separate equal amounts and carries a margin of ⅛ points over London interbank offered rates (Libor) for the first three years. The margin rises to 25 basis points for the remaining three years.

Fees are 15 basis points for those lending $15m or more, 12½ basis points for $10m or more, 10 basis points for $5m or more and 7½ basis points for $2½m or more.

Bankers noted that fees on the Esibanca loan are slightly more generous than those on the Mediocredito loan, partly reflecting lenders' familiarity with the borrower.

But the differential also reflects the effects of the new Bank for International Settlements rules on bank capital adequacy. Because Mediocredito is technically a government agency — it is Italy's funding vehicle for the medium-term credit institutes — loans to it qualify as sovereign debt which carries no reserve costs.

Meanwhile, bankers are speculating that the heightened sensitivity to the increased costs of new capital adequacy regulations are behind the delay in the signing of National Westminster Bank's $500m loan for MCA, the US entertainment company.

NatWest had originally said it extended the signing date to allow banks on the west coast of the US additional time to respond to the offer.

The loan terms included a cap of 16.25 basis points on increased costs that may occur as a result of the capital adequacy rules. This is contrary to most recent loan agreements which call for the borrower to pay for any additional reserve costs incurred.

The loan, originally set for signing on September 23, is now due to be signed this week.

Meanwhile, the rush of depositors accounts into UK building societies has apparently not caused the institutions to abandon plans to tap the wholesale markets for funds. And banks remain more than happy to provide the money.

Credit Suisse First Boston has completed arrangement of a syndicated loan for Bradford and Bingley Building Society, the UK's eighth largest. The loan was oversubscribed and increased to £125m from the original £75m. There is a 15 basis point margin and the borrower has agreed to pay reserve asset costs. Several other building societies are said to be seeking funds in the wholesale markets.

Last week, Walthamstowe Building Society, one of the UK's smallest, signed its £40m five-year loan. Also in the markets are a handful of commercial paper programmes, among them a $100m Euro-commercial paper programme for Kajima Europe BV, a unit of the Japanese construction company. The programme, arranged by Kleinwort Benson, carries the guarantee of Sumitomo Bank.

Euromarkets Staff

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,673.2	0.0	428.0	9,002.9
Prev	2,995.2	2.5	108.0	8,151.0
Other	1,438.2	18.7	429.9	2,280.6
Prev	2,608.8	2.1	1,344.2	1,283.6
Secondary Market				
US$	11,556.1	889.5	5,709.4	6,216.6
Prev	12,991.5	917.7	5,947.7	6,884.3
Other	15,049.5	1,052.6	4,499.5	22,289.2
Prev	15,287.8	865.4	4,540.9	23,829.6

	Cedel	Euroclear	Total
US$	8,770.3	28,605.4	37,375.7
Prev	10,296.4	32,201.5	42,497.9
Other	20,485.1	27,365.1	47,850.2
Prev	22,320.1	26,744.3	49,064.4

Week to September 29, 1988 Source: AIBD

INTERNATIONAL BONDS

On course to top last year's new issue volume

THE EUROBOND market still harbours plenty of cynics who were first to suggest that last week's flurry of new issue activity had more than a little to do with the fact that the publication of the third quarter league tables was imminent.

This premise was rejected by more than one syndicate manager, each declaring that the interests of his borrowers were of far more consequence than any petty jockeying for market position.

Whatever the explanation, the latest news is that the Eurobond market is on course to top last year's total issue volume.

The latest statistics from IFR Dispatch appear to show that the market is in fairly robust shape. Most senior market figures concede that the past 12 months have seen a genuine improvement in market sentiment, noting less cynical manipulation and more dialogue between houses, which are finally coming to terms with the need to make their Eurobond business profitable.

So, has the growing awareness that new deals must be launched with one eye on the profit and loss line dispensed with the need for this kind of league table?

While the top 10 lead management positions yielded no surprises, the last quarter has seen a few notable developments. Most significant has been the surprising return to favour of the US dollar.

While historically narrow spreads between Eurodollar and Treasury yields and attractive swap opportunities have revitalised the dollar straight sector, the real beneficiary of the US dollar's resurgence has been its Canadian counterpart.

Since March the Canadian dollar has furnished an ideal proxy for the US unit. The amount of new Canadian dollar paper issued in the first nine months of this year was more than twice the amount launched in the same 1987 period, more than $10bn.

Although the Canadian dollar has occupied the centre stage for the greater part of this year, the US dollar made good ground during the last quarter.

Last week's $1.8bn of new seven-year dollar straight paper would have had dire implications for the rate of the market only a few months ago. Yet the three deals — Merrill Lynch's $1bn jumbo for Italy, JP Morgan's $600m for Alberta and IBJ's $200m for the Japan Development Bank — were also performing well.

The dollar-denominated equity-linked sector has had its customary share of ups and downs over the last quarter. One syndicate source at a US house suggested that the recent slowdown in issuance after a period of chronic indigestion in the early summer could influence league table positions of the Japanese houses in the next set of data.

● Late on Friday, JP Morgan brought out the largest sterling-denominated, mortgage-backed floating rate note issued to date. A total £220m issue for Mortgage Securities (No 1). The issue comprises a senior tranche of £200m class A notes which will be rated triple-A and a £20m issue of class B notes which will carry a double-A rating. Final maturity is 2023 but the average expected life will be 7½ years. Issue price is par and the coupon on the class A notes will be 30 basis points over the three-month London interbank offered rates, rising to 50 basis points after 10 years.

The competitively priced issue met a good reception and will provide a useful injection of liquidity into an embryonic but rapidly developing sector of the sterling FRN market.

Dominique Jackson

TOP EUROBOND LEAD MANAGERS

	First nine months 1988				First nine months 1987			
Manager	$bn	Rank	%	Issues	$bn	Rank	%	Issues
Nomura	14.66	1	10.67	116	14.65	(1)	12.50	102
CSFB	11.70	2	8.52	68	8.91	(2)	7.60	71
Deutsche Bank	9.85	3	7.17	65	7.15	(3)	6.10	61
Daiwa	9.00	4	6.55	74	6.99	(4)	5.97	67
Nikko	6.14	5	4.47	51	6.72	(5)	5.74	51
Yamaichi	5.81	6	4.23	51	6.15	(6)	5.25	61
J.P. Morgan	5.09	7	3.71	29	3.90	(8)	3.32	39
Merrill Lynch	5.02	8	3.65	28	1.42	(22)	1.21	14
UBS	4.73	9	3.44	40	2.91	(13)	2.48	26
Banque Paribas	4.24	10	3.08	32	3.08	(12)	2.63	34
Warburg Secs.	4.19	11	3.05	21	3.14	(10)	2.68	31
Salomon Brothers	3.66	12	2.66	22	3.85	(9)	3.28	30
Bankers Trust	3.66	13	2.66	38	0.64	(39)	0.54	9
Ind.Bank of Japan	3.39	14	2.46	34	3.09	(11)	2.63	28
Morgan Stanley	2.81	15	2.04	23	4.70	(7)	4.01	33
Dresdner Bank	2.80	16	2.04	19	2.14	(15)	1.82	19
Goldman Sachs	2.76	17	2.01	22	1.90	(18)	1.62	18
Commerzbank	2.51	18	1.82	22	2.05	(16)	1.75	23
Hambros Bank	2.22	19	1.61	36	1.45	(21)	1.24	37
Swiss Bank Corp.	2.07	20	1.51	20	2.27	(14)	1.94	24
Industry Totals★	136.60			1172	118.01			1173

★Preliminary figures - full credit to book runner.

Source: IFR Bondbase

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Fukuyama Transporting‡◆	180	1992	4	5⅛	100	Nomura Int.	5.125
Nippon Steel Chemical‡◆	100	1992	4	5	100	Yamaichi Int.(Eur)	5.000
Mitsubishi M.& Cem.‡◆	100	1992	4	4⅞	100	Nomura Int.	4.875
Province of Alberta◆	600	1995	7	9⅜	101	J.P. Morgan Secs.	9.175
Japan Dev. Bank◆	200	1995	7	9⅜	101	IBJ Int.	9.175
Towa Real Estate‡	100	1992	4	(5)	100	Nomura Int.	★
Mitsubishi Plastics‡	100	1992	4	(5)	100	Nikko Secs.(Europe)	★
Nakanogumi Corp.‡	40	1992	4	(5⅜)	100	Yamaichi Int.(Eur)	★
Shikoku Chemicals‡	50	1992	4	(5⅛)	100	New Japan Secs.	★
Kotobukiya Co.‡	100	1992	4	(5)	100	Nikko Secs.(Europe)	★
Campbell Soup◆	100	1993	5	9¼	101⅝	CSFB	8.774
Sparekassen SDS (d)◆	100	1989	1	10	101⅜	Nomura Int.	8.508
Italy◆	1bn	1995	7	9½	101½	Merrill Lynch	9.200
Ford Motor Credit◆	300	1993	5	9½	101.85	Goldman Sachs Int.	9.024
Ryoden Trading‡	55	1992	4	(5⅜)	100	Daiwa Europe	★
CANADIAN DOLLARS							
Cerinvest◆	75	1991	3	10¼	101.40	UBS (Secs)	10.185
Pernod Ricard◆	75	1991	3	10⅝	101¼	Deutsche Bk Cap.Mkts	10.121
Montreal Trustco◆	100	1993	5	11	101⅞	UBS (Secs)	10.489
GMAC Canada◆	100	1994	5¼	10¼	101⅞	Banque Paribas	10.245
Skand. Enskilda Bkn◆	75	1991	3	10¼	101⅜	Bankers Trust Int.	10.195
AUSTRALIAN DOLLARS							
NatWest Australia◆	50	1991	3	13¼	101½	County NatWest	13.113
Tor. Dominion A'tralia◆	60	1991	3	14	101⅞	Hambros Bank	13.208
NEW ZEALAND DOLLARS							
C'wealth Bk Australia◆	60	1993	5	13½	101⅜	Hambros Bank	13.002
D-MARKS							
African Dev. Bank◆	200	1998	10	6⅛	99¼	Deutsche Bank	6.159
Gillette Finance◆	250	1993	5	6⅜	99⅝	Dresdner Bank	6.465
Eurofima◆	150	1996	8	5⅞	100⅛	Bayerische Vereinsbk	5.856
BHF-Bank Finance◆	100	1993	5	6	101½	BHF-Bank	5.647
BIG Finance Co.◆	200	1993	5	5	100¾	Bk fuer Gemein'schaft	5.828
Ryobi Ltd.‡	100	1995	7	(3)	100	DG Bank	★
Nat. Home Loans Fin.◆	200	1995	7	6¼	101⅞	Deutsche Bank	5.915

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
SWISS FRANCS							
Shizuki Electric§★★◆	50	1994	-	½	100	Handelsbank NatWest	0.500
CIR Int. (Luxembourg)‡◆	100	1993	-	3	100	Warburg Soditic	3.000
Mitsubishi M.& Cem.§★★◆	100	1994	-	½	100	Credit Suisse	0.500
Kasai Kogyo Co.§★★◆	40	1994	-	3	100	Handelsbank NatWest	3.000
Knogo Corp. (a)	40	1993	-	(6)	(101)	TDB Amex Bank	★
Chinon Ind.§★★◆	70	1993	-	½	100	Bank Leu	0.500
Lion Corp.§★★	150	1998	-	(½)	100	Credit Suisse	★
Poliks Corp.§★★	100	1993	-	(½)	100	Credit Suisse	★
Haneda Hume Pipe Co.§★★	30	1994	-	(1½)	100	Handelsbank NatWest	★
Sinko Kogyo Co.§★★	30	1993	-	(½)	100	Handelsbank NatWest	★
Kanematsu Elec.§★★	50	1994	-	(½)	100	Warburg Soditic	★
Deutsche Bk(Lux)(c)‡◆	100	1993	-	4½	122	Deutsche Bk (Suisse)	0.088
EIB★★◆	100	1992	-	4⅜	100¾	SBC	4.168
Honshu Paper Co.‡★★	100	1993	-	(1⅞)	100	Credit Suisse	★
Bond Int.Gold Cay.Is(f)	100	1995	-	(4)	(100)	TDB Amex Bank	★
Gastec Services§★★	80	1993	-	(½)	100	SBC	★
ECUs							
EIB◆	100	1998	10	8	101⅞	Nomura Int.	7.724
GUILDERS							
EIB◆	150	1998	10	8½	101⅜	Amro Bank	8.310
Nat.Nederlanden (b)◆	100	1993	5	½	98¾	Bank Mees & Hope	0.756
Fiat Finance & Trade◆	100	1993	5	6¼	101	CSFB Nederland	6.013
Swedish Ex. Cr.(e)★★◆◆	150	1993	5	½	98	ABN	0.911
YEN							
City of Barcelona◆	10bn	1998	10	5.6	100.65	Daiwa Secs.	5.591
STERLING							
Mortgage Secs No.1‡◆	220	2023	7½	(g)	100	J.P. Morgan Secs.	-
LIRE							
EIB◆	150bn	1995	7	11¼	101⅝	Banco di Roma	10.906

★Not yet priced. ★★Private placement. ‡Floating rate note. #With equity warrants. §Convertible. ◆Final terms. @With currency warrants. a) Redemption either 100% of nominal value or SFr equivalent on redemption date of dollar value of bonds at payment date plus common stock of borrower equalling 110% of difference between such payment and SFr40m. b) Warrants with right to subscribe to Fl100m 5yr 11% bond priced at 100 between May and Oct.1989. c) With warrants to buy shares of Continental Ag between Nov.1988 and Nov.1991 at DM250. d) Additional $100m on tap. e) Each Fl10,000 has 25 warrants to buy $500 with DM between Oct.1988 and Sept.1990. f) Convertible into gold cash equivalent of gold price. g) 30bp over 3m Libor first 10yrs, 50bp thereafter. £20m of issue pays 50bp over 3m Libor first 10yrs, 100bp remainder. Note: Yields are calculated on AIBD basis.

APPOINTMENTS

Reoganisation at Compair Holman

■ COMPAIR HOLMAN has reorganised its sales and marketing structure in readiness for 1992. Mr David Brewer becomes European operations director; Mr Robert Gemmell, UK sales director, will also be responsible for Air Care, Compair's network of local depots; Mr Stephen Hull takes over as UK sales administration manager; Mr David Paul's responsibilities as marketing director will be extended to the rest of the world; and Mr Peter Cutting becomes marketing manager, covering product marketing and marketing communications worldwidwe.

■ Mr Brian Watters has been appointed assistant general manager and head of treasury at SAUDI INTERNATIONAL BANK. He was previously senior vice president and managing director of Bank of Montreal Capital Markets.

■ TURNER-FAIN has promoted Mr Gordon Abba to commercial director.

■ Lt. Col. William H.L. Gordon, chairman, has retired from the board of RICKMANSWORTH WATER COMPANY. His successor is Mr John M.A. Paterson.

■ GIBBS AND DANDY, builders merchants, has appointed Mr Anthony R. Byfield its commercial director with special responsibility for purchasing. He was Luton project director.

■ Ms Michele Kimche has been appointed product development director at HOLLYWOOD NITES.

■ DUNLOP ARMALINE, part of Dunlop Offshore, has made Mr Ian Brady its technical director. He was technical director at Dunlop Oil and Marine.

■ BUDGIE OFFICE PRODUCTS, part of the Nobo Group, has appointed Mr Ray Bradbury as its managing director. He was formerly general manager.

■ CHEMOXY INTERNATIONAL has appointed Dr Ron Deeble its technical director. He succeeds Mr Iam Smallwood, who is retiring.

■ Lord Havers is to become chairman of RHM OUTHWAITE (UNDERWRITING AGENCIES) as soon as Lloyd's approval is given. He will succeed Mr Maurice Hussey who continues as deputy chairman until his retirement early next year. It is also intended that Lord Havers will become chairman of RHM Outhwaite Holdings.

■ Mr Christopher Critchlow is to be appointed to the board of EUROPEAN LEISURE as director responsible for planning and financial control. He is currently group financial controller of Ladbroke Group.

Mr George Stuart-Clarke, formerly a corporate finance director with Hill Samuel, has joined the board of ARLINGTON SECURITIES. He is made managing director in place of Mr Raymond Mould who becomes deputy chairman and chief executive.

■ Mr Doug Ash, chief executive of EUROPEAN HOME PRODUCTS, is to become chairman. He succeeds Mr Enrique Foster Gittes, who will remain a non-executive director with particular concentration on southern Europe.

■ SCAPA GROUP has appointed Mr Harry Tuley as group managing director. He has been a main board director since 1976. Mr James Haythornthwaite has relinquished the position of chief executive and is leaving the company.

■ At MULTIPHASE SYSTEMS Mr Michael Hedge has become managing director; Dr Alan Swann, group technical director; Mr Raymond Goodridge, technical director, Mr Stuart Lane, international marketing director; Mr Robert Kingsnorth, production director, Dr Alan Muir, sales and marketing director, and Mr Christopher Colbeck, finance director.

■ Mr H. Keswick and Mr A.W.P. Stenham have been appointed non-executive directors of ROTHMANS INTERNATIONAL.

■ A.J. ARCHER & CO, the Lloyd's managing agent, has appointed Mr Stephen Adams as a director. He will be underwriter for a new Lloyd's marine excess of loss syndicate No 1125/6 which will commence on January 1.

■ HOGG ROBINSON & GARDNER MOUNTAIN has made Mr Antony E. Snow a non-executive director. He was chairman and chief executive of Charles Barker.

■ Mr John Durston, chairman of LAWSON MARDON GROUP's European flexible packaging division, has been appointed to the group's main board.

■ Mr Michael Heelas, managing director of V.A.G. (UNITED KINGDOM), is to retire at the end of the year. He will be succeeded by Mr Richard Ide, the commercial vehicle director.

■ At AUTOMATED SECURITY (HOLDINGS), the electronic security specialist, Mr Dawson Buck and Mr Chris Boon have been appointed to the main board.

■ L.C.F. EDMOND de ROTHSCHILD SECURITIES has appointed Mr Jeremy Burn-Callender as managing director within the international equity division.

■ Mr Anthony Brown has been made director, corporate finance of RIGGS A.P. BANK.

■ Mr Tim Gold Blyth, a director of BET, has joined the board of BET subsidiary United Transport International. He also becomes chairman of Tourism International, the travel services arm of UTI, on November 1. He will succeed Mr John Clymo who retires in December.

■ HUNTERPRINT has appointed Mr Alan Titford to the main board. He was managing director of Hunterprint forms division.

RELATIONAL TECHNOLOGY INTERNATIONAL has appointed Mr Don Taylor to the newly-created post of director, Continental Europe. He was director of international sales and marketing.

■ CARADON CELUFORM, a member of Caradon, has appointed Mr Kieran Hehir as sales and marketing director.

■ Mr Andrew Mistygacz, marketing manager, has become marketing director at PHILPOT DAIRY PRODUCTS.

■ Mr Paul Wright has been appointed managing director of WALTON CONTAINER TERMINAL, a member of Furness Withy (Terminals).

UK COMPANY NEWS

Mecca criticises Pleasurama figures

By Andrew Hill

MECCA Leisure, which is bidding for Pleasurama, again criticised the quality of the leisure group'e earnings yesterday, responding to Pleasurama's forecast thet it would make not less than £82m before tax in 1988.

In turn Pleasurama said it would give serious consideration to a full cash offer from Mecca. The existing all-shares offer values Pleasurama at about £654m.

Pleasurama's forecast would be en increase of nearly 40 per cent. The group also forecast an increase in fully diluted earnings of about 15 per cent, to not less than 15p.

Mr Jeremy Long, finance director of Mecca, said yesterday: "There are quite a few things in the numbers they have brought out which are questionable."

In particular, Mecca wanted to know how much of Pleasurama's forecast was derived from one-off income, such as licensing fees and property disposals. Mecca also suggested that the absence of a dividend forecast implied that the board lacked confidence in the group's future performance.

Pleasurama is to publish its formal defence document today.

Local waits for Brent

By Paul Cheeseright, Property Correspondent

LOCAL London Group, the property company which has emerged as the sector's latest apparent takeover target, said that it was waiting to receive firm proposals from Brent Walker, the leisure and property group.

Its declaration, accompanied by a recommendation to shareholders to take no action until Brent Walker had made its intentions clear, came after Brent Walker,in the second of two raids ou the company's shares, had built up its holding to 24.9 per cent.

Should Brent Walker make a bid, it will mark a shift in the group's acquisition policy. Recent takeovers have all been in the leisure sector.

TRIG defence under fire

By Clay Harris

BRITISH Coal Pension Funds, bidding £560m for TR Industrial and General Trust, said that the Touche Remnant-managed investment trust's defence document had failed to address the ceutral issues involved in the offer.

BCPF said the 129.5p cash offer was fair, and played down the effects of capital gains tax on accepting shareholders.

In a letter to TRIG shareholders, BCPF underlined the attraction of a fixed-price cash bid in times of volatile markets. It noted that the discount to net asset value of TRIG ordinary shares had narrowed to under 4 per cent at some times during the offer, compared with more than 18 per cent before it was launched.

BCPF also criticised TRIG's failure to put forward alternative proposals.

BOARD MEETINGS

TODAY

Interims- Bilton (Percy), Chartbeech, Dowflex, Eurotunnel, Helene of London, Lamont Hldgs., North British Canadian, Scott & Robertson, Serco Group, Stylo, Thurgar Bardex, Tootal.

Finals- Barry Wehmiller Intl., Brierley Invs., Lyles (S.), Ossory Estates, Prospective Group, Shandwick, TR Portfolio Inv. Tst.

FUTURE DATES

Interims-	
Alexander Workwear	Oct. 11
Barlows	Oct. 10
Henderson Admin. Group	Nov. 8
Manchester Group	Oct. 11
Ocean Wilsons Hldgs.	Oct. 21
Plumb Hldgs.	Oct. 6
TR City of London Trust	Oct. 5
UEI	Oct. 12
Finals-	
Druck Hldgs.	Oct. 6
Halstead (James)	Oct. 4
Lloyds Chemists	Oct. 11
Personal Computers	Oct. 12
Smith Inds.	Nov. 9

Gold Fields starts share buy probe

By Kenneth Gooding, Mining Correspondent

CONSOLIDATED Gold Fields said yesterday it was convinced that the buyer of a major block of its shares, acquired during the hectic trading immediately before the bid from Minorco, had made great efforts deliberately to hide his identity.

Both the London and Johannesburg stock exchanges have launched investigations into a possible massive leak of inside information ahead of the £2.9bn bid.

Gold Fields has traced a block of more than 2m shares, representing about 1 per cent of its issued capital, first to Savory Milln, the London stockbroker and then to Savory's parent, the Swiss Bank Corporation.

Gold Fields at the weekend asked the two institutions to provide details of the beneficial owners of the shares but there appears to be little it can do if they refuse.

The UK group has been trying to establish ownership of its shares and options because it is concerned that so much equity is in the hands of arbitrageurs ready to take a quick profit that Minorco, already holding nearly 30 per cent, might have little difficulty gaining control.

Minorco has said it did not deal in Gold Fields shares or options ahead of the bid.Gold Fields said there were "no surprises" from companies associated with Anglo American Corporation of South Africa, a major Minorco shareholder, in response to the disclosure requirements of Section 212 of the UK Companies Act.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Arboyne NL (Section: Mines-Australia).

California Energy (Americans).

National Telecommunications (Electricals).

Allied puts up the barricades again

Lisa Wood looks at Bond Corporation's stake in the food and drinks group

FOR THE second time in just two years, they have begun manning the takeover barricades at Allied-Lyons, the British food and drinks group which escaped a takeover bid from Elders IXL, the Australian brewing and trading company, in 1986.

Now another predatory Antipodean with ambitious global plans for his beer brands is circling the group: Mr Alan Bond, the Australian entrepreneur, has just lifted his stake in the company from 7 to at least 11 per cent, and Sir Derrick Holden-Brown, Allied's chairman, has few doubts about his intentions : "I have to assume that at some stage Bond Corporation will contemplate making a bid." As to the timing, Sir Derrick says:" Mr Bond is not a man who hangs about. We must assume months rather than years."

The City has no doubts about the long-term threat posed by Mr Bond, but is sceptical about a quick bid. Allied, reckon the analysts, could command a takeover tag of £6bn or more, which compares with the heavily borrowed Bond Corporation's market capitalisation of around £425m. It was the high leverage involved in the Elders bid which caused that to be referred to the Monopolies Commission.

Furthermore, Bond is still busy digesting Bell Group, the former vehicle of Mr Robert Holmes a Court, which it took over in the wake of last year's market crash.

To bid alone would therefore seem beyond Bond's capabilities, but analysts are speculative that it might be interested in a consortium approach designed to break Allied up into its constituent brewing, wines and spirits and foods operations.

Undervalued assets and shelves of brands, such as Skol lager, Ballantine's whisky and Baskin-Robbins ice creams certainly make Allied an attractive target for any potential predator. And at the time of the Elders bid it had a distinctly lacklustre City image.

However, in the three years since the initial Elders approach, the group has undergone some dramatic changes which have done much to improve its City image and thus its defences against any fresh bid. Says Mr Tim Clarke, of Panmure Gordon, the stockbroker:" The City is still sceptical about Allied but there is not the hostility towards it that there was at the time of the Elders bid."

Allied's large brewing division, with its skimpy lager portfolio, dragged on Allied's profits growth in the late 1970s and early 1980s. Its share of the UK beer market fell by three per cent to 14 per cent between 1978 and 1983.

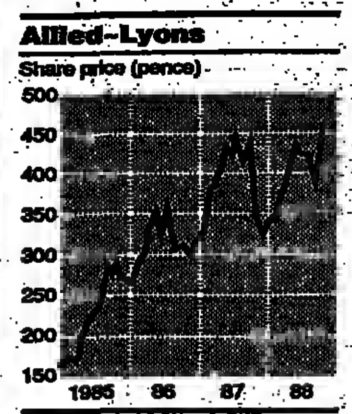
Rationalisation, including 800 redundancies in brewing plants, began before the Elders bid and has transformed the returns from this sector of the business, with production costs believed to be close to industry-best practice.

Allied's wine and spirits division, with brands such as Babycham, became a major world player in 1986 through the acquisition of Hiram Walker, a Canadian-based wine and spirits business with brands including Canadian Club and Ballantine's.

Allied initially acquired a 51 per cent stake in Hiram Walker when it was being pursued by Elders - an action described by Allied's many City critics at the time as a "poison pill" designed to make it too big for Elders to swallow.

Today, it is indicative of the changed City perception of

Sir Derrick Holden-Brown



Allied, that the deal is described as relatively inexpensive and "lucky". Whether the acquisition was fortuitous or not, Allied has motivated the staff, dismantling Hiram's antiquated management structure and there has been some real profit growth. Analysts are looking for about six per cent next year.

In the food division, low-cost production, development of added value products and a large assortment of brands have fuelled a respectable trading profit growth.

So, at first glance Allied's performance over the past five years would provide some impressive bar charts. In a defence document: For example, since 1982-1983 pre-tax profits have grown at a compound rate of more than 20 per cent a year and earnings per share at just under 20 per cent.

However, City critics have qualifications over the longer term outlook. These include:

● A possible freeing of the tie - the system whereby most brewers sell their beer - could adversely affect Allied's brewing division. Some weaker Allied brands, such as Skol, are at present protected by the tie.

● Allied, unlike competitors such as Guinness and Grand Metropolitan, has not pursued a vigorous policy of acquiring its own distribution channels for its international spirits sales. Control of distribution is seen as one key factor in determining an international spirits group's success.

● The lack of a major acquisition in the food sector, which could reduce any impact on earnings should a relaxation of the tie erode Allied's market share.

No indication has been given to Allied of Mr Bond's strategic thinking since the announcement of the increased stake.

But Bond Corporation, the world's fourth largest brewer has ambitions to make its beer brands - including Castlemaine XXXX and Swan lagers into globally selling ones. It is also keen to develop Europe as a profit centre, according to Mr John Richardson, Bond's newly appointed chief executive for the UK and Europe. Mr Richardson said: "Brewing has to be a main thrust in Europe."

Allied holds licenses to brew Castlemaine XXXX until the year 2003 in the UK and the European Community and Mr Bond, since he started building his stake, has discussed several options with Sir Derrick. At one stage the Australian brewer is even thought to have suggested Allied might wish to sell its brewing business.

More recently, however, the two companies had begun to negotiate on a joint venture, 60 per cent Allied and 40 per cent Bond, which would acquire the ownership of Bond's Castlemaine and Swan brands and develop a comprehensive marketing strategy for the whole of Europe, including non-EC markets.

But those negotiations seem to have been jeopardised by Mr Bond's latest stake-building. Sir Derrick says that in April, when the Australian company took its stake in Allied to seven per cent, he told Mr Bond that he would regard further share purchases as unfriendly. Mr Bond is believed to have been in London discussing the joint venture deal as recently as Thursday of the week before last, a day before he seems to have begun buying Allied shares again. The joint venture would have had strong mutual benefits to both partners. On the one hand, Bond would gain the experience of Allied, which has two breweries - albeit ailing - on the Continent. On the other, Allied would have control in a much larger market of Castlemaine XXXX, a brand which has transformed Allied's lager portfolio.

It is not easy to see how Bond can develop its beer sales in Europe with a disgruntled Allied-Lyons holding the licence to brew Castlemaine XXXX there. A successful bid for the British company would be one way of solving the problem, but then Allied and its financial advisers are not exactly inexperienced in the art of successful takeover tactics.

Eagle Trust profits surge to over £6m

By Vanessa Houlder

EAGLE TRUST, the rapidly-changing mini-conglomerate, announced a near four-fold increase in its pre-tax profits for the first half of 1988 to £6.4m (£1.3m).

Earnings per share - a more appropriate measure of performance, given the increase in number of shares in issue - rose by 37.5 per cent to 0.55p (0.40p).

Mr John Ferriday, chairman designate, said that the ambitious programme of acquisitions and disposals would continue.

The company intended to eliminate its borrowings - which stand at 60 per cent - within the next few months by the sale of property and investments.

One of its three investments in public companies is a 15 per cent stake in Owners Abroad, a tour operator.

The directors are proposing an interim dividend of 0.16p (0.10p) per share.

Courtney Pope little changed

Courtney, Pope (Holdings), shopfitting, engineering and electrical group, reported pre-tax profits marginally ahead at £3.04m for the year to May 31. The previous figure was £2.93m.

Turnover was lower at £41.45m (£43.68m).

An increased final dividend of 4.5p (3.75p) is proposed for a total of 7p (6p).

Hobsons Publishing

Hobsons Publishing announced pre-tax profits of £130,000 for the six months ended June 30, against £128,000. Tax took £45,000 (£44,000) after which earnings improved to 3.4p (3.3p). The interim dividend is lifted to 2.3p (2p).

Manchester directors attack minority leaders

By Ian Hamilton Fazey

THE DIRECTORS of Manchester Ship Canal have attacked the leaders of the company's minority shareholders for untruthfulness and "groundless and mischievous speculation" in a letter to all shareholders which most should receive today.

In an attempt to win the hearts and minds of small shareholders before next Thursday's resumption of the company's controversial extraordinary general meeting, Mr Robert Hough, the chairman says that there is no intention to water down shareholders' powers or alter their rights, as minority opponents have claimed.

The letter is significant because it is the first time that the board has replied officially and in writing to its opponents' since control of the business was won by last year by Mr John Whittaker, the Lancashire property developer, after a long, bitter takeover battle.

On Thursday, the meeting will vote on restructuring the board to remove Manchester City Council's statutory right to a boardroom majority of one, as well giving the board power to raise borrowings by £45m for development purposes.

FINANCIAL TIMES STOCK INDICES

	Sep. 30	Sep. 29	Sep. 28	Sep. 27	Sep. 26	Sep. 23	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	87.92	88.31	87.80	87.76	87.30	87.26	91.43	86.28	127.4	49.18
Fixed Interest	96.56	96.42	96.36	96.35	96.20	96.21	98.67	94.14	105.4	50.53
Ordinary	1476.5	1477.6	1466.4	1459.1	1448.5	1446.8	1514.7	1349.0	1926.2	49.4
Gold Mines	171.6	172.4	170.8	168.2	164.6	164.6	312.5	162.7	734.7	43.5
FT-Act All Share	946.27	946.56	937.79	934.21	927.61	927.60	978.58	870.19	1238.57	61.92
FT-SE 100	1826.5	1829.0	1812.5	1808.0	1792.7	1792.4	1879.3	1694.5	2443.4	986.9

FINANCIAL TIMES SURVEY

The task of renewing Britain's derelict land is a daunting one, emphasised by the growing prosperity of other parts of the country, writes Hazel Duffy. Concentrating mainly on inner cities, the Government is encouraging greater responsibility in the corporate sector.

New life for dead acres

FIFTY BILLION pounds needs to be spent renewing Britain's 100,000 acres of derelict land in inner cities. That is the rough estimate made by the Confederation of British Industry in its recently published report Initiatives Beyond Charity.

The sum is based on the estimated £1bn it will cost to regenerate nearly 2,000 acres of derelict and under-utilised land in East Birmingham, according to studies produced for the Birmingham Heartlands consortium.

The consortium, made up of five private contractors, Birmingham City Council and the chamber of commerce, is a good example of the public-private sector partnership that the Government has made the cornerstone of its inner cities policy. It is also the only example of a city council, by setting up a consortium, managing to persuade ministers that it does not need an urban development corporation.

A strategy has been drawn up which outlines the opportunities for mixed development, including new facilities for industry, business, housing, leisure and the improvement of existing houses and industrial sites. Substantial investment in new and improved roads and the canal will be required if the proposals are to attract developers and investors.

The daunting scale of the urban renewal task starts to become apparent when one substitutes for East Birmingham some of the other locations around the UK in need of urgent attention - like Trafford Park near Manchester, Teesside, the acres alongside the rivers Tyne and Wear, parts of central Manchester, the old docks areas on the River Mersey, the Black Country, the Lower Don Valley in Sheffield, the housing estates around Glasgow, the Welsh mining valleys, East Belfast, numerous towns scattered across the north of England, and

The problem is not new. Under-used factories and shipyards, poor housing, inadequate infrastructure were all features of industrial Britain 50 years ago. What is perhaps new is the realisation in various quarters of the social and economic cost of such dereliction, which has been emphasised by the growing prosperity in other parts of the country.

Cities like Detroit, in the US, provide frightening examples of the social effects of this spiral of decline. Others, which have succeeded in reversing it through the combined efforts of the public and private sectors, give more encouragement to those who believe it is not too late to do something in Britain.

The Government has produced numerous programmes aimed at redressing the problem. They include ideas to improve the lot of people living in the inner cities, notably the task-forces that operate at a neighbourhood level. These are complemented by initiatives emanating from local authorities, teams set up by Business in the Community (which derives its support mostly from big companies and state-owned industries) and a wide variety of voluntary groups.

The main thrust of government policy, however, has been drawn up to encourage property development in the inner cities and areas of industrial dereliction. The programmes mainly involve some form of pump-priming in the form of grants, initially channelled through local councils, now paid direct to developers.

The enterprise-zone experiment, which encouraged investment in certain run-down areas by offering tax incentives and rates holidays, has been shelved (the exception is a new enterprise zone created on Clydeside). The Government announced the decision late last year, despite evidence that the incentives had succeeded to a large extent in their objective of bringing developments to areas which the private sector had not been willing to consider. Retail developments, warehousing and new industrial building, have taken place in the zones around the country, which mostly have another three to five years to run.

The disadvantages were that the cost of the incentives could not be quantified in advance, while there was some evidence that the zones distorted the property market in adjacent areas.

Grants are now the main incentive. Their existence acknowledges that, to date, the private sector does not see inner city developments as viable without some injection of public money. Projects pioneered by Inner City Enterprises, whose basic funding comes from the financial institutions, and the Bradford project undertaken by the British Property Federation, which deliberately chose a particularly difficult site, underline this requirement.

The one major exception to this urban renewal rule is in London Docklands. The redevelopment of the Royal Docks will go ahead unaided by the public sector. This, however, will be a consequence of the confidence expressed by the Canary Wharf development, under construction in the Isle of Dogs enterprise zone, and simply the demand generated by London.

Elsewhere, the CBI task force — drawn from the private sector — put forward a strong case for "flagship projects", major developments in the centres of cities which have acted as the catalyst for renewal in some cities in the US. The theory goes that, once it can be demonstrated that these projects can be got off the ground, investor confidence will return to the inner city, rents and capital values will rise, and the scene will be set for long-awaited developments to get under way.

Given the tendency for financial institutions and developers to be oriented towards the south-east, the initiative needs to come at a local level.

In Newcastle, a group of local businessmen, academics, surveyors has joined hands with the city council and the Tyne and Wear Development Corporation to demonstrate how the theory can be put into practice. They identified two areas — that around the restored theatre, and the old commercial heart of the city around Grey Street which links in with the redevelopment of the Quayside, recently awarded to Shearwater, the Rosehaugh subsidiary, and Stanley Miller — as potential "flagship projects".

The key to this approach is the coalition of business and local government — with its planning functions and knowledge of the area. With central government providing some of the money to break the inner city deadlock, it is a tripartite arrangement that has worked particularly well in Glasgow.

Mrs Thatcher's determination to isolate local authorities constitutes a threat to this approach, however. The London Docklands Development Corporation has learned the hard way the obstacles that lack of co-operation can pose. Although many councils, like Sheffield, are overcoming their antipathy to urban development corporations, which remove planning powers from them, there is still suspicion and even hostility at the erosion of their powers. In many places, the local council has played a vital role - in Coventry, for example, providing industrial space in run-down areas that the private sector would not touch.

Some of the earliest arrivals in cities like Glasgow, or in the London Docklands, where renewal has been a success, have been the housebuilders. Since housebuilding by the public sector has virtually ceased, much more emphasis has been put on housing associations and schemes which allow low rents to be set.

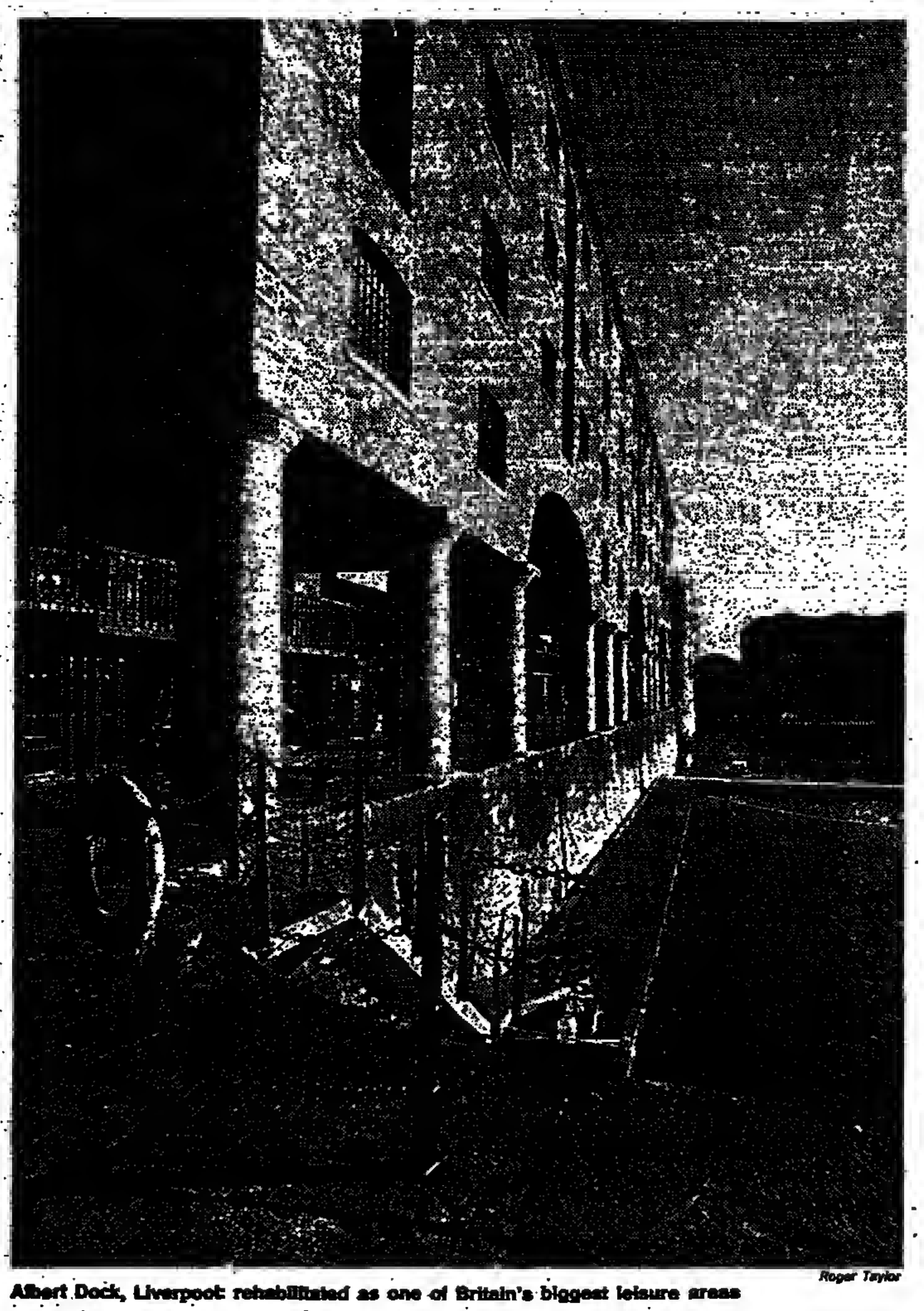
The big building societies have teamed up with local authorities and builders, bringing in imaginative financing, to get such schemes off the ground. The biggest problem in many British cities, however, including inner London, is the state of local authority housing, particularly in tower blocks. Councils have undertaken all sorts of improvements — sometimes financing them by planning gain deals with the private sector. The Partnership Renewal of the Built Environment (Probe) is an agency aimed at resolving the impasse presented by impecunious councils and tenants with low spending power. But a trip around some of Britain's council estates will reveal how much still needs to be done.

The Government has set up new housing action trusts in a bid to improve some of the worst estates. Their success will depend on substantial commitment from people appointed to them. At this stage, many still need to be convinced that they provide a solution to the housing problem. On the other hand, the initial success of the Chancellor's decision to extend the benefits of the Business Expansion Scheme to investors in property for private renting suggest that this could go some way towards bridging the gap in private rented accommodation.

Cities are about jobs as well as homes and leisure. Manufacturing will not return to the cities on the scale of earlier years, but there is a need for smaller units, and particularly managed workspaces where small companies and start-ups can call on professional advice and support. The Government has assigned a specific role to English Estates to provide such accommodation, and the private sector is increasingly involved in a few areas.

The greater emphasis on enterprise by Lord Young, Trade and Industry Secretary, has an inner city element with special levels of grant to encourage expansion of small businesses in these areas. The provision of jobs, training, business links with schools, must go hand in hand with the renewal of the physical fabric.

In spite of the fact that interest in urban renewal in the UK has come from many sectors, enormous problem areas remain — as would be expected if the Confederation of British Industry is correct in estimating that inner city rejuvenation will carry a £50bn price tag. Mrs Thatcher has shifted the responsibility on to the corporate sector to reverse a longstanding decline, and in some places that might suffice. But in the areas where problems are most difficult — which would include parts of the capital — there is no clear evidence that this will be enough.



Roger Taylor

Albert Dock, Liverpool: rehabilitated as one of Britain's biggest leisure areas

Urban Renewal

CONTENTS

Common sense suggests that an improved transport infrastructure should assist regeneration. But will it?

Railways and new roads may not suit everyone

THE UK is on the verge of a boom in urban transport infrastructure projects, mostly in the form of light rail systems, which are being considered in around a dozen cities.

Their enthusiasm follows the success of the Docklands Light Railway, in East London, opened a year ago at an initial cost of £77m, and already being extended to cope with rapid development.

The key advantage of light rail is flexibility: it can range from tram-like vehicles operating among street traffic, to virtually full-scale trains on dedicated track – sometimes within a single system.

Extending and expanding a system once it is running is also relatively easy – the DLR was built with an initial operating capacity of around 2,000 passengers per hour, and a theoretical eventual capacity of up to 22,000.

Mr Howard Potter, transport planner for the London Docklands Development Corporation, says he is convinced the DLR was an essential catalyst for the development of the area.

The original project was cash, limited by the Government, because the almost total absence of development plans for Docklands meant that even a small-scale railway would not be viable.

"But what happened was that once developers saw the track being built, interest in developing Docklands began to boom," says Mr Potter.

The LDDC's practical experience was echoed recently by Mr Rex Vickers, a director of Mott, Hay and Anderson, the consulting engineers, in a paper on the role of light rail delivered to a conference on urban regeneration held in Birmingham by the Institution of Civil Engineers.

Mr Vickers said the introduction of high-capacity transport infrastructure, in advance of development, was likely to reassure developers, who would be more confident about investment.

But the common-sense view that improved transport infrastructure is bound to help to promote economic regeneration is not universally held among academics.

A sceptical note was sounded by Prof Tony May, of Leeds University's Institute for Transport Studies, who told the conference that many of the apparent effects of transport schemes on urban regeneration were "a question of faith".

Prof May says there is considerable evidence that new infrastructure may not have the expected effect. Many distribution companies, for example, have rasponded to improvements in road links by closing depots, which increases their transport costs but reduces labour and fixed costs.

"Such a response may well be in the interests of the national economy, but is unlikely to help the case for localised economic regeneration," he says.

Prof May identifies three main ways in which transport policy could have an impact on economic regeneration:

■ New roads: Although these are needed, there is controversy over the effects of roads which are provided to increase access to an area, rather than to improve circulation within it.

Such new roads may be justifiable in terms of transport efficiency, but they can separate one part of a community from another; satisfy existing excess demand, without significantly reducing congestion; or encourage firms to relocate in order to serve existing markets from outside the area.

"While there is considerable circumstantial evidence of the industry-attracting effects of outer orbital roads, there is no such indication that inner-city roads will have the same effect," Prof May says.

■ New rail systems, in particular light rail: These are mostly presented as ways of revitalising existing suburban rail services and improving city-centre access.

The two main exceptions are the DLR and the Tyne and Wear Metro, an earlier and more conventional scheme in Newcastle, both of which were intended to act as catalysts for development.

The evidence is conflicting. Studies have shown that the Tyne and Wear Metro produced a considerable increase in the attractiveness of Newcastle city centre, but that there was little evidence of new economic activity.

The DLR has not yet been studied in detail, but Professor May suggests that, if the LDDC's claims that it promoted development are correct, it may be because the project is a special case.

He notes that the docklands area is both peculiarly inaccessible and the focus of the expansion of the City of London following Big Bang. This combination of circumstances may have made it the *sine qua non* for much of Dockland's development, but "it cannot be assumed that the DLR experience is directly transferable," he says.

■ Improved use of existing infrastructure. Prof May identifies this as likely to prove the most beneficial and cost effective way to assist inner city areas. Improvements cover a multitude of policy options, from bus services to road maintenance, traffic restrictions and extra parking provision.

Prof May concludes: "The effects of transport on economic regeneration are not as clear as is often assumed. The provision of good transport is a necessary, but not a sufficient, condition for regeneration to take place; availability of land and premises are more dominant determinants of success.

"Care is required in developing a transport strategy to ensure that it will encourage regeneration, rather than than reinforcing the pressures for outward migration of industry, and that it will not simply attract industry from other deprived areas.

"The choice of transport measures is important. New infrastructure may enhance the image of an area, but may not be the best way of meeting the real needs for accessibility and environmental improvement. Lower cost improvements to the use of the existing infrastructure are more likely to be targeted to firms' needs."

Kevin Brown

HOUSING

Deprived areas could get ahead with a HAT

THE ROLE of bonsing in leading urban renewal is vital. It can be under-rated only in the case of atypical projects like Canary Wharf, in the London Docklands, based on attracting commerical activity eastward.

Elsewhere, cities have to be assessed from more modest vantage points. How can crumbling, unlettable housing be restored to use, partly privatised, and complemented with new urban homes for the new urban regenerators?

Although many question it, the answer appears to be: only by getting the private sector involved.

Since 1980, Britain's private housebuilders have taken the lead in proving that there is no such thing as a building beyond salvation. Led by Regalian and Barratt, council blocks considered worse than useless all over the country were taken over, improved, and miraculously found buyers prepared to pay real money to move in.

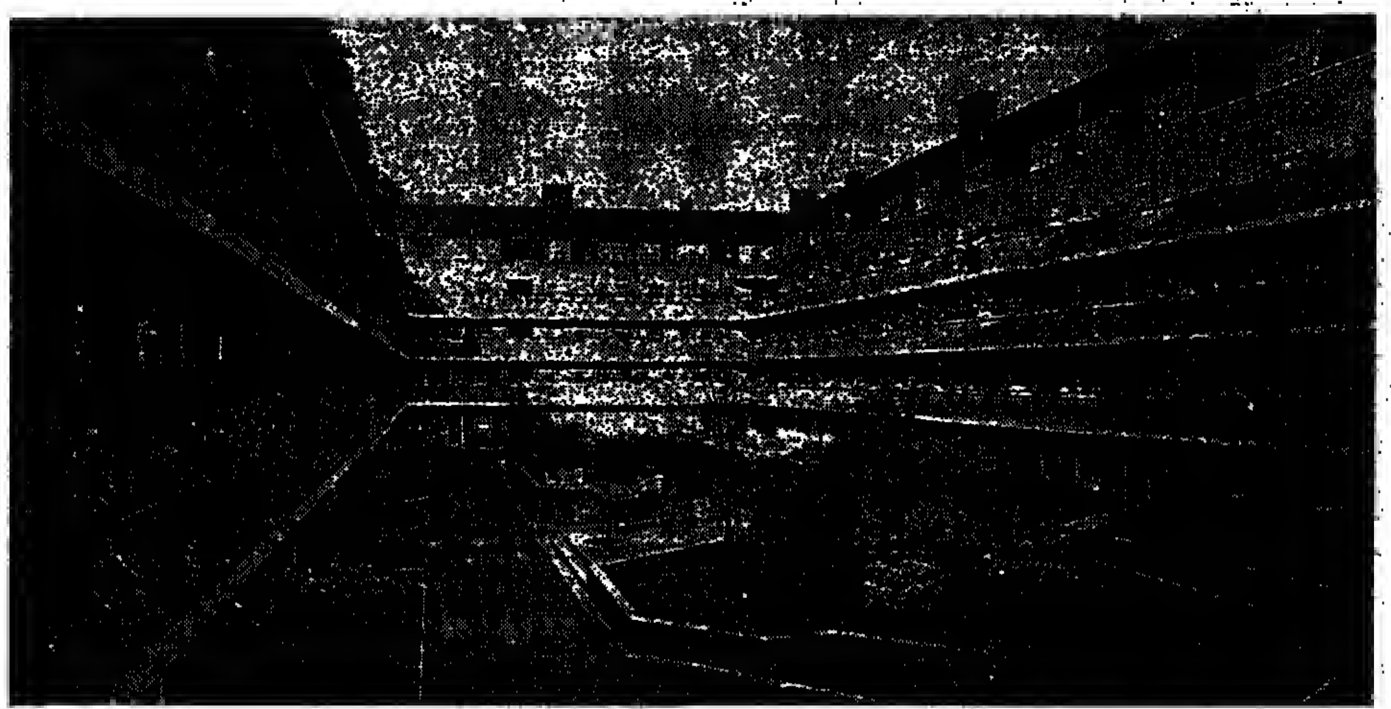
Battersea Village, in Wandsworth, was the first. Regalian tendered successfully for the five run-down 1930s blocks which had become a no-go area. The 300 flats were refurbished and the courtyards carefully landscaped. They retain the freehold.

More success stories followed, and not only in London. Marlborough Park, in Sunderland, was a typical award-winning 1960s estate, whose tenants expressed their distaste for modern concrete architecture by vandalising it. The Towers, Lichfield, should never have been built – rural areas do not need eight-storey blots on their gentle landscape.

The Villages, Cardiff, were ugly maisonettes disliked by tenants who wanted private gardens. The Falcons, Clapham Junction, were more concrete carbuncles linked by "muggers' paradise" walkways, their design cancelling out the benefit of being only minutes away from central London by train. All have been transformed by Regalian into human environments where normal people are happy to live.

At the same time, Barratt was having the same effect on estates in Liverpool, Leeds, Bradford and Rotherhithe.

Both companies have also become closely involved in partnership schemes for new-build projects with local authorities, development corporations and housing associations. Regalian has specialised in affordable homes, Barratt in shared-ownership, sheltered accommodation and rented housing.



Battersea Village: run-down 1930s blocks, which had become a no-go area, were refurbished and the courtyards landscaped

Noble though all these efforts undoubtedly are, they barely skim the surface of the problem. A handful of bold and socially-aware developers, a handful of enlightened local authorities – but what of the millions of council homes still languishing in the public sector with no takers? And what of the large number of local authorities ideologically opposed to any such moves?

It was to tackle this wider problem that the Government devised Housing Action Trusts. Last month, it was announced that management consultants had been appointed to carry out studies of the areas proposed for the first six HAT areas: Lambeth, Southwark, Tower Hamlets, Leeds, Sandwell and Sunderland. In each area, between two and five estates are involved.

HAT provisions are part of the Housing Bill and subject to its approval. They are envisaged as "temporary organisations set up to help selected areas which have become particularly dilapidated and run-down". Like other urban renewal measures, such as the urban development corporations, HATs are "unelected", as they are chosen in areas where elected local government is seen to have failed.

Instead, board members will be appointed by the Environment Secretary. They could be housing experts and local people, including tenants, with an emphasis on sexual and racial equality.

Once transferred from the local authority to a HAT, a major programme of improvements, both structural and environmental, would take place. Other local agencies and businesses would be invited to encourage employment. Improvements would be discussed with tenants, who would also be consulted about day-to-day management. They would retain full tenants' rights (including Right to Buy and housing benefit) and responsibilities.

Once its job was considered done, the HAT would transfer ownership yet again, this time to a permanent landlord, which could be a tenants' co-operative, a housing association or a Housing Corporation-approved private landlord. At this stage, the emphasis is again on full consultation with tenants, and the option of the HAT reverting to the original local authority is also not ruled out.

The consultants' research programme for the proposed HAT areas explains how the Government is thinking. They have been asked to prepare a social, economic and environmental profile of each area, to include unemployment and crime statistics, and report on the physical condition of the housing, the extent of design problems and structural defects, including a cost estimate for putting things right.

They will assess the quality of existing management, looking at the number of empty properties, rent arrears and repairs backlogs and report on potential improvements. Vacant land on estates, derelict or otherwise, will be assessed for development potential – residential or commercial – and the local employment scene analysed.

The scope for attracting private-sector investment is high on the research agenda, as is the scope for introducing different types of tenure and management.

Finally, there will be "estimates of the levels of improvement and development that might be achieved over periods of three, five and 10 years and the public expenditure that would be required to achieve this".

The consultants, Peat Marwick McLintock, PIC Ltd, PIEDA Ltd and Price Waterhouse, will have to do all this in 12 weeks and report back to Mr Nicholas Ridley, the Environment Secretary, in December. He will then make his final decisions.

Mira Bar-Hillel

Industrial property outside the south-east is attracting investment

Light falls on the dark mills

NORTH-EAST England ran out of advance factories this year, and some potential inward investors had to be turned away. It should have been embarrassing for a government still confronted by worse-than-average unemployment rates in the region, but it was not.

Ministers "toughed it out". The line was that the shortfall could not have been predicted, because it was the result of faster-than-hoped-for economic recovery, the success of the north-east's sales message, and a spillage northwards of southern prosperity.

Moreover, the shortfall was portrayed not as a problem, but an opportunity. Here was the chance for the public sector to stop providing low-rent, low-return buildings for new industry and regeneration. If there were such demand, then rents must surely rise enough under market forces to give the private sector good returns for filling it.

English Estates, the Government's industrial and commercial building agency, was told to limit its speculative building to the most difficult areas, leaving the field open for the private sector to fill the gap elsewhere.

The policy appears to be working in some respects, but there must now be a question over its surviving rising interest rates that might offer investors better, safer havens for their money. Certainly, some big developers have been waiting and watching to see if less cautious competitors come a cropper. This may well be the excuse they wanted not to take the plunge.

Much may depend on the exact area of the country concerned, as the experience of English Estates before interest rates started to rise dramatic ally seems to bear out.

Mr Tony Pender, chief executive, says: "The ripple effect from the south-east is beginning to show. It is important not to overstate it, but it is beginning. We certainly have seen increasing private-sector interest and development in the enterprise zones.

"Where we were developing and selling, we now get a developer wanting to come in from the start, so that he is taking the risk. That was not happening 12 months ago, when investors were buying assets as we completed them. We are now starting to get some interest from property developers and one or two institutional investors, who are starting to put their heads above the ramparts.

"The more attractive areas are doing particularly well, such as Chester, parts of the north-east and Plymouth. Our main sources of buyers for the poorer areas remain our tenants."

To Mr David Taylor, managing director of Lancashire Enterprises, the company set up by the county council to run its economic development strategy, market forces are not enough; the private sector has to be led to the water and persuaded to put in a toe or two.

"The private sector is responding quite well now that we have done the initial work and led by example, which means using public funds for the first projects.

"It doesn't matter how many drawings and attractive artists' impressions you produce, there is no substitute for showing people something that has actually been done, so that they can look at the old photographs and see and appreciate fully the before and after."

This has led to one local developer's joining in several projects, including Lancashire Enterprise's flagship project at Eanam Wharf on the Leeds-Liverpool canal in the centre of Blackburn.

This formerly tumbledown relic of the pre-industrial Revolution era is now being transformed into a £1.5m complex of offices, shops, light workshops, and a pub and restaurant.

However, Mr Taylor worries that, although smaller developers with local knowledge may see the potential, national developers are very much more cautious.

He says: "Blackburn council receives masses of inquiries about office space, which is in very short supply. Despite this obvious demand, there is little development." He thinks that inflationary pressures and rising interest rates will make things much more difficult.

Mr Pender, however, is less pessimistic: "There is bound to be an effect on people doing deficit financing, but we have not yet noticed any big slow-down."

He believes that, while short-term investors will always go for the highest immediate returns, institutions such as pension funds or the bigger developers will take a longer view and stay in.

Mr Taylor's greater caution is founded in the general trend of land values going steadily down as you move north and west from London. He says: "I agree with Tony Pender that there is a division between short-term and long-term attitudes, but enthusiasm wanes as land values decrease. Rising interest rates will depress the situation even more. The further north you travel, the worse it will get."

However, another view is that the south-east's land values have gone too high, and will drive people northward looking for bargains and a cheaper rents. Signs of this are already apparent in booming places like Manchester and Leeds city centres, which are only milliseconds from London by electronic link.

There are also some notable "before and afters" elsewhere in the north, the prime example of which is almost certainly Dean Clough Industrial Park, in Halifax. It has been rescued from dereliction by Mr Ernest Hall, the founder of the Moumtleigh Group, who disengaged from big-league property development to personally take on the challenge.

Dean Clough was a collection of disused carpet mills with more than 1m sq ft of echoing space in the centre of the town. Five years later, it contains 200 businesses employing more than 2,500 people.

The latest arrivals are Halifax Building Society, which has taken 30,000 sq ft, the Printing Industries Research Association, which is relocating from the south, the local VAT inspectorate and a high technology business fed up with Milton Keynes.

Mr Hall says that other big companies are looking.

Many of Dean Clough visitors have been institutional investors or developers with an eye to doing the same elsewhere, or putting money into a similar venture. Although it may take time for this to work its way into the market-place, there is one unmistakable sign that something is stirring.

Mr Hall puts his finger on it: "Five years ago you could give old mills away. Today you cannot buy them. Everyone is upgrading the value of them and not selling."

Ian Hamilton Fazey

Offices: London is no guide to the regions

Rents hold the key

THE HUGE office projects in London Docklands are the most obvious British example of how land can be reclaimed for commercial use, but they do not offer a guide to what is happening or will happen elsewhere.

Canary Wharf and Harbour Exchange sprang from a combination of factors: shortage of space in the City of London; rapid expansion of the financial services sector; fears that the planning authorities would hold back an expansion of the office stock in the Square Mile; reaction to sharply increasing accommodation charges; and the availability of subsidies for Docklands development.

Such factors, which have spurred development in Docklands, will not all be in play elsewhere. If they had, development would have been quicker and more enthusiastic than it has.

Office developments outside the established business districts in regional cities have been slow to take off, because the economic growth that started in London and the south-east has taken time to trickle outward.

Property development tends to lag behind economic growth, which is why it is only in the last year that office projects have started to proliferate in regional centres.

But even before office projects could look financially viable, stock that had been surplus since the 1970s has had to be absorbed by the market. This has now taken place, and the whole sector is looking towards expansion.

Developers and landowners, however, are not, in the first instance, going to meet any shortages of office stock by looking outside the established office areas. They will tend to move into fringe areas, into areas covered by urban development corporations, into burnt-out old industrial and dock areas, only when they perceive demand as strong enough to push up rents in the particular city as a whole.

Space has to be tight in the centre for development to be pushed outside. For example, because the central business district in Manchester is constrained geographically, development has been pushed outward – first, towards the smart suburbs of the south, where the airport acts as a focal point; second, towards Salford and Trafford Park.

The Salford and Trafford Park developments, in place and planned, are part of the process of urban renewal. Where offices have been completed, they have been drawing in rents of £8-£9, not much different from those of the city centre. The point is, though, that the Salford and Trafford Park developments are, in a way, at the end of a chain, because the risk-reward equation is tilted more towards risk in the eyes of many developers.

While the Government, through the use of enterprise zones and slicker planning procedures by urban development corporations, has sought to diminish the risk factor, speculative development can be ruled out unless underlying demand is perceived.

Uncertainty about future demand for office space, but certainty that there is more disposable income around, partly explains why the property industry has appeared to prefer retail, leisure and residential schemes as a vehicle for urban renewal.

There is evidence of change, though. It can be seen in the way Avatar has announced plans for a new international trade centre in Manchester, Glasgow & Oriental has been prepared to try and create a new office complex in the run-down Broomielaw area of Glasgow, Shearwater and Stanley Miller have a strong office element in their plans for Newcastle Quayside, and Mountleigh proposes a 500,000 square feet office complex outside Leeds city centre.

It is noticeable, too, that where retail has been the base of urban renewal schemes – as in the Cameron Hall Metro Centre project at Gateshead, subsequently sold to the Church Commissioners, or in the Richardson Development's Merry Hill centre at Dudley, or the Shearwater project on Southampton dockland – an office element has been added on.

In all of these cases, however, the property developers are forced to rely largely on local demand to take up the space they have created. And this brings the whole question back to the movement of the national economy. If there is no growth in the immediate locality, then the chances of office projects becoming viable, subsidies or not, are slim.

This is because the evidence of a widespread relocation from London to midlands and northern centres is small, and because it is impossible to rely on tenants arriving from overseas. Arguably, Bristol gains major office occupiers from London – Lloyds Bank, for example – but Liverpool does not.

This could change over a period if accommodation costs in the south-east become burdensome, and not least from the changes taking place in the Civil Service. The start of a movement to make departments directly responsible for their accommodation costs could chime with the general thrust of government urban policy, encouraging a shift to regional centres.

But, for the immediate future, rental levels in the different centres are a more important indication of future development plans. If rents are less than £6 a square foot, developments are not likely to be financially attractive to developers. Once they exceed £8, the position changes.

Over the last year especially, there has been a strong rise in rental levels throughout the country, ranging from 7 per cent in Hull to an average 44 per cent in the major locations of the midlands and north, according to Debenham Tewson and Chinnocks, chartered surveyors. Prime office rents have ranged from £3.75 a square foot in Bradford and Hull to £10 in Birmingham, Cardiff, Leeds and Manchester.

Nearly two thirds of all new development, however, is in London and the south-east, suggesting that the nascent boom outside has a long way to go before it makes much impact in urhan renewal terms.

Paul Cheeseright

Merry Hill centre, Dudley: such retail bases attract an office element

CONTRACTORS

Tenders overfuelled

THE BUILDING industry in Britain is overheating. Serious shortages of skilled craftsmen and materials are beginning to affect forecasts and performance, and tender prices are rocketing.

The Government's own Property Services Agency recently circulated a memo to PSA architects, warning them of the likelihood of "an unprecedented 25 per cent increase in tender prices between the first and second quarters of 1988", with a possible 35 per cent in the torrid south-east.

Building economists E.C.Harris have been experiencing wide variations in tender levels from project to project, with rises in a very wide range – from 5 to 30 per cent. At the same time, contractors' order books are full and their state of trade appears healthy.

The problem is focused on London and the "supersites" – Broadgate and Canary Wharf, with Kings Cross looming. Broadgate cornered the market for steel work, and steel prices rose as a result. The same effect is now being experienced with lifts, external curtain walling and cladding.

Some of these projects can be described as "urban regeneration". Certainly, Canary Wharf and Kings Cross hold out the promise of prosperity where there is now dereliction.

But the construction sector does not, at least for the time being, *need* urban renewal work. With the exception of the housebuilders, for whom it is a vital trading area, and who are therefore very active and positive, contractors (as opposed to developers) have no economic incentive to be altruistic.

The only major initiative taken in this direction recently has been the formation of British Urban Development (Bud), by 11 of the country's major civil engineering companies. Bud was launched in March to coincide with the prime minister's Action for Cities campaign. Its first chairman is Martin Laing, and other participants are Alfred McAlpine, AMEC, BICC, Costain, Sir Robert McAlpine, Mowlem, Tarmac, Taylor Woodrow, Trafalgar House and Wimpey.

The founding 11 pledged an anthorised share capital of £55m and set np a London office, with former prime ministerial adviser Hartley Booth as chief executive. Mr Booth's approach to urban renewal is based on taking a longer-term view than most individual companies are able or willing to.

Projects which show early losses – inevitably in run-down and depressed areas with added complications like contamination – will not necessarily be discarded, provided there is the potential for success. There is even scope for cross-subsidisation between more, and less, profitable elements of any one scheme (for example, profits from housing to subsidise industrial units) or even, potentially, between schemes.

"Ultimately we must make a profit, and we must create real revival with real jobs," said Mr Booth. "We also accept that it will be a long haul. It is therefore not surprising that, in our first six months, we have mainly invested in negotiations and research."

So far, Bud has partnership arrangements with the Teesside and Black Country UDCs. More significantly, it recently announced a partnership agreement with Labour-controlled Leicester city council and Leicestershire county council.

The members of Bud are, to some extent, motivated by the fact that civil engineering, their main contracting staple, is under pressure internationally; and they are having to defend even their home patch against the aggressive Japanese.

But in general contracting, in the current climate, private interest in worthy causes needs encouragement. It is therefore not surprising that last month's report from the construction sector, entitled Reviving Britain's Inner Cities, was subtitled "Tax incentives for urban regeneration", and was prepared by the industry's joint taxation committee.

The report says all the right things about the importance of urban renewal and the need to shift "the economic centre of gravity" away from the south-east to relieve pressures of overheating, wage inflation and risk to the green belt.

The report welcomes the new streamlined City Grant, which has replaced the earlier and more cumbersome UDG and URG system. But, it says, "it needs to be complemented with a system which will go further in providing speedy incentives with certainty and flexibility".

The main ingredients of the proposed tax package are:

- Provision for approval of urban development areas and individual projects outside those areas by the Government.
- Extension of Bnsiness Expansion Relief for individuals investing in companies carrying out approved projects.
- Relief against Corporation Tax for companies investing in approved project companies – repayable, at the latest, 10 years later.
- Tax-free interest on loan stock issued by approved project companies, for a maximum of 10 years after the completion of construction and svailable to investing individuals and companies.
- Capital allowances at a special rate of 5 per cent, on commercial and residential huildings in approved projects.

"Companies are showing an increasing awareness thst their business interests and the economic and social welfare of the communities in which they operate are very closely linked. The encouragement of s tax incentive would get a lot more companies sctively involved in the regeneration of towns and cities affected hy industrial transition, and such involvement would make an enterprise culture more acceptable," the report conclndes.

Mira Bar-Hillel

Small workshops: demand exceeds supply

Trusting in units

DEVELOPMENT of the small business sector, it is argued, can make substantial inroads into unemployment. So the Government has been anxions to encourage provision of small workshop units, where lease or licence arrangements are flexihle, to generate the creation and growth of small companies.

All this is easier said than done. The sector is not a favoured area for any but the specialised property developers. Neither institutions nor the major property development and investment companies concerned about the intensive management, have shown much interest in the sector.

Demand for small amounts of space, serviced by central telephone and other office facilities, has been growing, and the take-np has risen markedly, especially in the south-east.

In order to meet existing demand and encourage more, the Government has sought to have English Estates, the state-owned industrial developer which acts in areas where the private sector is inactive, more closely involved.

English Estates has found that, while some areas, like Liverpool and parts of the north-east, are well served, there are gaps in Manchester, Derby and Doncaster. It will begin building shortly.

For the moment there are three main, and sometimes overlapping sources of supply.

First, local authorities have been providing space – hence the co-operation of Lambeth Borongh Council with BAT Industries, to establish the Brixton Enterprise Centre. And the former Greater London Council had properties which are now under the control of London Industrial, the associate of Inner City Enterprises.

Second, special companies have been established with funding from major groups and financial institutions – like Lenta Properties, backed by Shell, BP and Barclays and Midland banks; or a unit established by British Coal.

Third, specialist investment groups and developers, such as Skillion or the London Small Property Business Trust, have found it possible to run businesses that provide small premises at a profit.

But each of these categories faces the same prohlem, at least in the sonth-east: the escalating price of sites. Only if a site can be bought at rock-bottom price is it possible to put premises on the market that give the developer some sort of return. This is why there is so much emphasis on buying old factories, which nobody appears to want, and converting them.

The prices that tenants have to pay will vary sharply, in any case. Generally, the greater the office content in the premises, the higher the price. So a snappy little unit, wanted by a media company trying to make an impression in the south-east, might cost up to £15 a square foot, while a tatty-looking shed in the north might cost £1 a square foot.

But in either case there will be flexible terms, allowing the tenant to pull out quickly if the business does not work. Again, the more flexible the terms, the higher the price.

Paul Cheeseright

URBAN DEVELOPMENT CORPORATIONS

The local touch is crucial

URBAN DEVELOPMENT corporations are at the forefront of the Government's policy on urban renewal.

In the past year, three new corporations have been set up, in central Manchester, Leeds and Sheffield. Plans for the fourth, in Bristol, are being opposed by the city council. The petition is expected to be heard before e House of Lords committee this autumn.

At the same time as plans for these "mini" UDCs were laid before parliament, extensions to the boundaries of the corporations on Merseyside and the Black Country were agreed. Consideration is also being given by ministers to the extension of the territory covered by the London Docklands Development Corporation.

London Docklands, set up in 1981 by Mr Michael Heseltine when he was Environment Secretary, remains far and away the most successful in terms of the amount of private-sector investment it has generated.

Between 1981 and 1988, the LDDC estimated that a total of £4.4bn had been committed by the private sector in the area, of which £3.8bn was on sites disposed of by the corporation. Over the next four years, the investment figure is expected to double on the assumption that the economy remains buoyant.

The most significant development in the past year was the start of the £3bn Canary Wharf financial centre project. The next major area of development is the Royal Docks, where the London City Airport has opened. Four major schemes covering three different sites have been put forward by consortia, which include offices, leisure complexes, housing, a hotel and shops.

Despite its commercial success, London Docklands continues to be criticised by MPs and local groups for its lack of attention to the less advantaged residents of the area, particularly in housing, job opportunities, training and community facilities. The Corporation has been increasingly careful to make more provision in these areas, supported by recent appointments to the board of people experienced in training and social aspects.

It has also signed accords with the borough of Newham covering the proposed developments in the Royal Docks, and with Tower Hamlets. It is hoped that the latter will enable much-needed road improvements to be approved by the council, and to be built on time.

Communications to Docklands, and within, are a major source of concern to developers and the corporation. Better road access is vital, as is better public transport. The Docklands Light Railway is being improved, and is likely to be extended to Beckton (financed by LDDC land sales).

The Merseyside Development Corporation has been criticised, notably by the National Audit Office, for different shortcomings. In particular, it was said to be slow to find exploitable opportunities. Developments are now proceeding, however, at a much faster rate.

The experiences of the original two development corporations – at different ends of the development spectrum – have been absorbed by the new corporations. Their boards and management have put considerable emphasis on the need to ensure that training is provided for local residents to enable them to take up new jobs – particularly important on Teesside and Trafford Park, where job creation is a prime goal.

More effort is being made to ensure that development relates to surrounding districts, and to win the co-operation of local authorities. Considerable care is being taken in Tyne and Wear, for instance, to ensure that developments will enhance the attractions of the area.

The performance of the UDCs in relation to inner city regeneration is critical. In turn, the inner cities are now seen as the key to regional development, as the Government shifts the emphasis away from grants to encourage industry to expand in the regions, in favour of concentration on the improvement to the fabric of the cities in the regions.

In this way, it hopes that more companies will want to re-locate to the regions.

The newer UDCs have one major limitation, however, and that is money. Total expenditure in the current financial year was allocated at just over £200m. The figure will rise as the new UDCs move into their second and third years of operation. Meanwhile, the LDDC, which was granted £128m in 1987-88, will be moving increasingly towards a situation where it can finance activities from its own resources, mostly sales of land.

The new corporations have small staffs, mostly from the public sector, and local authorities in particular. Their experience of the private sector may well be limited. Expertise frequently has to be bought in from consultants.

Given the scale of the tasks which must be undertaken by the UDCs if they are to be in a position to offer sites to potential developers – land clearance, acquisition, provision of communications – their resources are small. They have to be viewed in the light of the private sector's showing much more interest in the inner cities, but that commitments are still thin on the ground.

The temptation must be for the UDCs to give permission to schemes that may fall far short of their ideal, just to show that something is happening. This was the case in London Docklands in the early years. It had the virtue of getting the ball rolling, allowing the corporation to become more selective as time went on.

But it would not be surprising if areas that have less going for them than proximity to the City of London were to jump at the opportunity to take developers on board.

The Government originally envisaged a life of six to seven years for its creations, but it would not be surprising if it took them considerably longer to make the impact expected of them. That would certainly be the case if the economy were to lose its growth momentum: inner cities could then lose their attractions overnight.

Hazel Duffy

Private-sector initiatives: FT writers profile some projects in the inner cities

BPF picks the most difficult route

ST MARTINS Property Corporation will shortly call tenders for the construction and engineering work on the Listerhills Road project in Bradford.

The London-based group, a subsidiary of the Kuwait Investment Office, has taken control of a project that was initiated and taken through the planning and grant application phases by the British Property Federation.

In 1985 the BPF, seeking a means to contribute to, and set an example for, the general urban renewal programme, decided to make productive use of the most difficult piece of land it could find.

It set up a committee, chaired by Mr Geoffrey Carter, then a director of Trafalgar House, with representatives from St Martins, Dorrington, Greycoat, Haslemere, Hotspur, MEPC and Wingate. Its search led to what was, in effect, an old rubbish tip on top of an unknown number of subterranean caverns not far from Bradford University.

Once it had worked up a mixed scheme, involving managed workshops, studios, housing, local shops and a pub, it obtained planning permission from e co-operative Bradford City Council in 10 weeks.

No member of the committee had had experience of grant applications, but the finances of the scheme would not add up without some form of subsidy. An application for an urban development grant was made in April. Approval for £1.55m came in July. This is a higher proportion of grant than usual – £1 for every £1.78 of private investment – and works out et e cost of £8,500 for every job created.

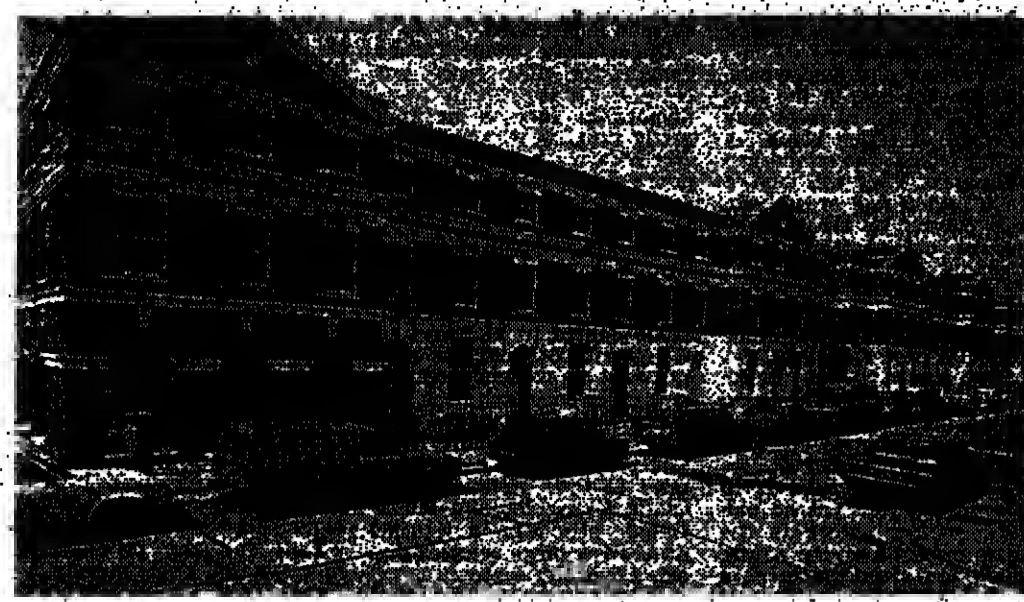
The relative speed with which it came through has provided lessons. "The key is to get the local people on your side. The central side won't cope unless the scheme has the approval of the local representative," said Sir Peregrine Rhodes, director general of the BPF.

"If you sit at e safe distance, it takes a long time. You have to go and see people," he added. He deprecated the idea of trying to do everything by correspondence: it was much easier to sort out any difficulties, span any communications gap, across a table.

From the BPF point of view, the idea of all this has been to show that it is possible to harness property skills to the availability of official funds. This, the BPF thought, would encourage property companies to look at the less favoured areas, taking into account a Government financial contribution, as development prospects.

It was accepted, though, that the scheme could only be advanced a limited distance by a committee. That is why St Martins has now taken it over. But St Martins will make sure that it is local contractors who do the work on the site.

Paul Cheeseright



Burney Street, Greenwich: a new mixed-use scheme on a former derelict site

Warmer investment climate suits ICE

MIDDLESBROUGH, Brixton, the unfashionable bits of Birmingham – in such areas Inner City Enterprises has demonstrated quietly to the financial world that investing in the inner cities, with the help of government grants, can be commercially viable.

ICE was set up in 1982 by the big financial institutions, in response to the challenge by Mr Michael Heseltine, then environment secretary, that they should be doing something in the inner cities.

The period that followed was a poor one for the investment property market, and the ICE experiment got off to a slow start. But the climate improved. Recently several projects, where ICE has acted as developer, have come on stream, and the company now finds that the big increase in investment interest outside the most popular areas is widening its range of opportunities.

ICE, however, wants to make a point. It prides itself on pioneering new forms of development – like the period office conversion in an unfashionable square near the centre of Birmingham. Mr Charles Brocklehurst, managing director, explains how the presence of an insurance company as an investor gave a way out to the local trader developers, and helped to hoist prices.

Other developments have included small business units in Brixton; mixed business/residential units in Greenwich, carried out in close consultation with the local council; and studios in Notting Hill.

Work has started on the development of a new building, behind a listed Victorian gothic facade at Albion House, Manchester, into design studios with ancillary residential use, a canal-side restaurant, and a ground-floor showroom. The cost is put at around £2m. A grant of £301,000 has been agreed by the Department of the Environment. The development is intended to be a catalyst for the redevelopment of immediate surroundings.

ICE recently agreed a joint venture with Middlesbrough council, which owns the site on which the £2m Cleveland Business Centre will be developed. This venture had been mooted some time ago, but finance had proved the stumbling block, until ICE came up with a funding package.

The biggest deal concluded by ICE was in July 1987, when it bought most of the former Greater London Council's industrial property portfolio. Part was sold on to London & Edinburgh Trust. The balance, consisting of small workshops, was retained to be run by London Industrial, a company set up by ICE to manage the properties.

The succession of deals has broadened the experience of the small staff at ICE, and, most important, has boosted the institutions' confidence in an intermediary that was set up as an experiment.

Hazel Duffy

Reshaping Bristol Phoenix-fashion

IN 11 months since the Phoenix Initiative set up in Bristol, it has attracted a small amount of private capital, secured the co-operation of the city council and got some projects off the ground.

It is funded by the private and public sectors to help the run-down inner-city areas.

Mr Denis Burns runs Phoenix in Bristol, on secondment from accountants Arthur Young. "We are a neutral catalyst in getting projects moving," he says. "We identified 10 or 11 schemes that were thought to be worthwhile, and as I got one off the ground I could then move on to the next, leaving the operation of the previous one in the hands of others."

The first project has been in the Broadmead, the 1960s shopping centre under threat because of the amount of out-of-town shopping authorised by the council at Cribbs Causeway.

Ladbroke has already come in with an £80m redevelopment scheme for those properties the group owns, but if the area is to continue as the main city-centre shopping area much needs to be done about parking, covering and refurbishment.

The problem is that the decision-makers do not work in Bristol. The shops are run by managers.

"The essential thing is to get the shops, the ground landlords, the developers, the council, all working together," says Mr Burns. "We made contact with everyone at head-office level, told them we would act as agent to bring everyone together, raised between £30,000 and £40,000 to fund the action, and now have e team looking at which problems should be tackled in which order."

Phoenix was set up nationally in 1985, and has slowly gathered momentum. Bristol was the third to be set up, after Manchester and Salford, and has been followed by the Wirral and Middlesbrough.

The aim, as Mr Burns describes it, is to show that, if the city is improved, new companies will come and everyone will benefit.

The local authority has backed Phoenix, whereas it has opposed the government initiative to set up an urban development corporation for part of the inner city. Its reasoning is that, in the latter case, local-government powers would be removed; whereas in Phoenix the council was encouraged to take part.

The Broadmead scheme is one of four in the city. Another, for which £10,000 has been raised, is the creation of a media workspace, to attract more people involved in (especially) television and video production to the city.

The space Mr Burns is looking for is not for production, but for back-up facilities – an office, a secretary, a desk, a phone, all of which can be shared more cheaply than hired individually.

He has also raised £15,000 for an arts-based scheme to complement the work being done in the city by organisations such as the Arnolfini. The money will be used to plot e route for the enlargement of the artistic base of the city.

Anthony Moreton

CBI sees its task-force as a catalyst

NEWCASTLE HAS been chosen by the Confederation of British Industry's inner cities task-force as the location for a pilot project which plans to bring together the private and public sectors in a broad partnership at a local level.

The Newcastle Initiative, launched in June, was set up after consultants commissioned by the CBI had identified projects which would benefit from the partnership approach. The projects were primarily property ventures – the development of a theatre village around the restored Tyne theatre, and renovation of the Grey Street area to provide quality office accommodation.

The plan is to group the owners of land and property in these areas, and encourage them to work together with the city council. In this way, it is hoped that these areas, when renovated, will provide a focal point for city centre activities.

By concentrating on property in the vital first stages, the CBI hopes to emphasise its point that the private sector can only be expected to respond to the Government challenge on the inner cities if it can be confident that it will earn a decent return. In other words, inner city regeneration will only come about on the sort of big scale that is needed if it can be seen not as charity but as business.

Mr Bill Hay: chief executive of the Newcastle Initiative

From that point, parallel initiatives are being taken in Newcastle. They include a plan for the city to play a role in supporting and building on Japanese investment in the north-east, aiming to attract Japanese restaurants, banks, service companies.

The Newcastle Initiative has a full-time chief executive in Mr Bill Hay, who is on secondment from British Telecom. He is supported by Mr Peter Kendrick, from the city council. The local task force which is backing the initiative includes two people from the north-east – Mr John Hall, managing director of Cameron Hall Developments, and Professor John Goddard, who heads the centre for urban and rural development studies at Newcastle University – who are also members of the CBI's national task-force.

The task-force mechanism has been adopted by the CBI in other fields. The idea is that the team, in this case headed by Mr Tom Frost, group chief executive of National Westminster Bank, undertakes studies, makes recommendations, which included that of setting up local initiatives, to be wound up when its job is complete.

In urban renewal, therefore, the CBI sees itself as the catalyst to get big business interested. If the task-force mechanism is to work – the CBI's earlier efforts at regional and local development have not been particularly successful – the employers' body recognises that it will be because the day-to-day work will have been taken on by others, like Business in the Community and chambers of commerce, while it returns to its mainstream business.

Hazel Duffy

PARTNERSHIPS

UDCs are not always needed

THE IDEA of a town council going into partnership with local industry and commerce to regenerate a dying economy has worked well in the US, with Lowell, Massachusetts, the best-known case.

Several principles seem critical: people and bodies must co-operate; there must be leaders from each side who can work together, and they themselves must see beyond their own role in the community.

It has taken a decade to see these principles at work in Britain, but there are now examples. Calderdale, the West Yorkshire borough centred on Halifax, used Lowell as a model for a partnership experiment, with the help of Business in the Community (BiC).

A steering group of local business and civic leaders plans strategy and makes sure that all effort is in the same direction. BiC has a man on the ground and a senior executive from London effecting national introductions to BiC supporters likely to bring in jobs and investment.

Mr Michael Ellison, chief executive of the borough council, puts the number of new jobs created through the partnership's efforts at about 1,000 in the first year.

This year BiC extended the experiment to Blackburn, Lancashire. The new partnership's "enabler" is Miss Jo Valentine, seconded from Barings, the City merchant bank.

"I am acting as a broker between the public and private

Grey Street, Newcastle, has been selected for renovation

sectors," she says, listing a dozen projects on the go.

These include lobbying for the relocation of government offices from London, helping set up a compact between local industry and schools; and establishing a venture capital fund for the area.

The BiC-inspired partnerships are one example of the process. Other places have developed their own style. They include Hull, Glasgow, Sheffield, Birmingham and Bradford, and smaller towns like Newport, Preston and Rochdale.

The partnerships prove that there does not have to be a government-imposed urban development corporation (UDC) with its own planning powers in order to effect economic regeneration. Indeed, loss of planning powers has been the principal reason for local authorities opposing UDCs so far.

In some cases – as in Merseyside, where Liverpool's Labour council of 1983-87 saw the key to regeneration as a municipalised house-building programme – the UDC may have been the only route to the sort of industry-led, wealth-creating regeneration the Government wanted.

In others – as at Trafford Park, Teesside, the Black Country and Tyne & Wear – the UDC's powers are important for assembly of derelict land and getting it up to scratch for development.

The extraordinary downside risks – the potential for loss if things go wrong – usually embodied in the positive cost of bringing land up to developable standard, may well have required extraordinary solutions. Where the risk was less marked, astute operators in the private sector have started to emerge, for example Bellway Urban Renewals, a subsidiary of Tyneside's Bellway Group.

This year it got the largest urban regeneration grant yet from the Government: £17m towards the £85m it will cost to redevelop the disused Victoria Dock area in Hull. This will involve 1,200 homes, a mile of sea defences, two schools, as well as offices, shops and a hotel.

Mr Bill Stephenson, of Bellway, says: "Commercial activity is a key ingredient of successful regeneration, but can you get the commercial private sector into anywhere if there is nowhere good to live? You have got to make the district look good and make it a good place to live in. Housing and regeneration go hand in hand."

His methods are also instructive: "I get moving well in advance of anyone planning anything, and we are then allowed to carry on. We have proved we can be trusted. The whole urban renewal scene is a matter of confidence. We have about £100m of work on at the moment, all of it with Government and local authorities.

"I do it differently from the UDCs by making much fuller use of local authorities, since they have most of the skills needed. They know the patch. It's a hell of shame not to make more use of these resources."

At St Helens, the centrepiece is Ravenhead Renaissance, a company limited by guarantee, which is trying to regenerate 40 acres of derelict industrial land which is cheek-by-jowl with the city centre.

The project is backed jointly by the local authority, Millerney Properties and three industrial giants – Pilkington, United Glass and British Gas – which once had works on or near the site. Prof Graham Ashworth, of Salford University, chairs the company. The chief executive, who came from the Scottish Development Agency, is Mr Andrew Russell.

"We run it like a UDC," says Mr Graham White, St Helens economic development officer. The Government has been impressed enough to promise substantial funding to help get land ready for development.

Where there are UDCs, there now seems to be an adjustment to them as a fact of political life. Nowhere is this more obvious than in Sheffield.

There, the local authority and the business community sank their long-publicised differences to work together – but failed to persuade the Government to let their new partnership have £50m to regenerate the 2,000 acres of the Lower Don Valley, which had been turned into a patchwork wasteland by steel industry closures.

Instead, a UDC was imposed, on the grounds that the Government had to be directly accountable to parliament for the way so much money was spent. It was perhaps the acid test of the new partnership that all sides have since been able to adjust.

The UDC and the city council have agreed a formal process of consultation on policy and practice. In other words, co-operation of all parties has been secured. Coupled with strong leadership from Mr Clive Betts of the city council and Mr Hugh Sykes, a highly-successful businessman who chairs the UDC, Sheffield may well be the role model for the 1990s.

Ian Hamilton Fazey

Political initiatives: relationships have improved

Councils co-operate

URBAN RENEWAL has always been a political issue, even before the first outbreak of inner-city riots in the early 1980s which placed it high on the agenda.

Recognition of the problem was a gradual process. In the early 1970s the Greater London Council, shaken by the property boom-and-bust and riding an emotive anti-offices wave, introduced Office Development Permits and set up the Location of Offices Bureau in a carrot-and-stick effort to encourage businesses to move out of London.

The LOB was not disbanded until a decade later, but before the general election of 1979 its function suddenly went into reverse, as it tried to attract businesses back. The state of inner London, rapidly becoming an industrial and small business desert, made this inevitable.

At the same time the Labour government, with Mr Peter Shore as environment secretary, was waking up to the problem nationwide and beginning to take action. But the Labour approach was still heavily rooted in public spending and leaving ultimate decisions to local authorities, some of which were responsible for their creating their local problems in the first place.

The Conservatives took over with a different set of priorities and constraints, and many of their policies were to have profound effects on the inner cities problem.

Tenants' Right To Buy their council homes, for instance, was aimed not at urban renewal but at vote-catching, but it made a contribution by helping to break down the sector barrier which had previously stigmatised entire areas.

A more direct measure was the establishment of the first urban development corporations, in the London Docklands and on Merseyside.

The political process often appears slow; but, looking back, its effects have been generally noticeable, and in specific locations very impressive indeed. Almost 10 years on, those involved in it note major improvements in two areas that had previously slowed the process.

Relationships between government departments involved in urban renewal have become less fractious and more co-ordinated, with overall control vested in the Cabinet Office. And relationships between central and local government have improved.

Of 57 "target areas" identified in the Government's Action for Cities report, published in March, 54 are Labour-controlled. All the new urban development corporations are designated in Labour areas, yet the only objection to has come from Bristol.

Elsewhere, Labour authorities are either accepting the inevitable or learning that benefits will come only to those who will talk to those in a position to provide them. After years of defiance, councils like Tower Hamlets and Newham have come to recognise that London Docklands will be developed with or without their approval.

Of 57 'target areas' identified in Action for Cities, 54 are Labour-controlled

But, for government purposes, local authorities are still too slow. In May, the urban development grants and urban regeneration grants, which were administered by local authorities, were replaced by city grants, given direct by the Environment Department.

Only one week later the first city grant, worth £60,000, was paid out in Nottingham. In August, a £3,280,000 grant was awarded to Derby developers J.F.Miller & Co to transform the 18-acre former foundry site adjacent to Derby County football ground into a major industrial park.

This case was significant, because the site also became the country's first Simplified Planning Zone. With the agreement of Derby city council, planning permission is deemed to exist for 10 years for a wide range of business and industrial uses without the need for planning applications – or fees. It was the combination of the grant and the SPZ status that made it possible for about £9m of private money to be invested.

Not that the UDG and URG were not a success: since they began, 314 schemes have benefited from £191m of public money and brought in £777m of private investment. Almost 33,500 jobs, 8,850 homes and 1,533 acres of reclaimed land are also not to be sneezed at. But the Government saw the change to city grants as an important move to streamline the process. Since May, five city-grant schemes have been approved, with £5.2m of grant attracting £14m of private money.

Inter-departmental co-operation is also an important factor. Environment is responsible for city grant, UDCs, and all planning aspects of derelict land and vacant land, where efforts are now being made to transfer the burden of keeping registers to the public authorities hoarding the vacant land in question. But initiatives regarding improving inner city safety and tackle crime require Home Office involvement.

The Small Firms Service is run by Employment. City action teams, task forces and breakfast meetings with potential private investors are a Trade and Industry responsibility. City technology colleges and employer-school compacts, guaranteeing a job with training for school-leavers, are an Education Department matter (with Employment). And vital development infrastructure, like the Black Country Spine Road, is a Transport project.

Since Action for Cities was launched in March, information from and about all of them has come neatly headed with the Action for Cities logo, and individual department credits take second place. To those familiar with previous problems that arise when responsibilities overlap, this makes a significant and refreshing change.

The Action for Cities report listed the priorities:

■ Encouraging enterprise and new businesses, and helping existing businesses to grow stronger.

■ Improving job prospects, motivation and skills.

■ Making areas more attractive by tackling dereliction, bringing buildings into use, preparing sites, encouraging development and improving housing.

■ Making inner city areas safe and attractive.

Six months on, the political will appears undiminished and the progress steady and on the right course.

Mira Bar-Hillel

Spotlight on two areas with special, but differing, problems

Pump-priming helps to give the valleys a facelift

ABERTILLERY lies a dozen miles north of Newport, in the heart of what was once the prosperous south Wales coalfield, *writes Anthony Moreton*. Today, the pits have all but gone, taking with them most of the prosperity they generated.

However, to prevent the town existing solely as a feeder dormitory for Newport, a £10m scheme has been proposed by the Welsh Development Agency to give Abertillery an economic and social facelift. A new market is proposed, some new housing, and a re-opened railway line.

The plan is typical of what is being proposed for many of the valley communities in south Wales. It is now accepted that a little pump-priming, combined with an infusion of private-sector money, can arrest the decay and decline of whole communities.

The Abertillery scheme is matched in Crumlin, three or four miles down the valley nearer Newport, by a smaller plan to "envelope" 48 houses.

Enveloping means that the outsides of a group of houses are improved in a joint programme, after which it is hoped that householders will improve the insides.

These are examples of what is happening in the valleys of south Wales as government pump-priming seeks to encourage improvements in the social fabric and make land available for companies to move in.

The valleys have been described as Wales's only inner-city problem areas. Compared with parts of Leeds, Leicester and Liverpool, or inner-London areas such as Brixton, Stepney and Southall, they can hardly claim to be deprived. But they do have problems resulting not just from the loss of their base industries, but also from the legacy of 18th and 19th century housing.

Other aspects of the economy also need improvement. Tips need to be removed, derelict land cleared, land flattened to allow factory building. New, privately-developed, housing is essential. Road improvements are necessary. Above all, the environment needs to be cleaned up if newcomers are to open factories.

It was to respond to these needs that the Government launched a Valleys Programme this summer. The aim of Mr Peter Walker, Secretary of State for Wales, was not to throw money at problems so much as to pump-prime, hoping that example and exhortation would cause others to follow.

The Government has certainly made money available. Some £60,000, for instance, has been allocated to the conversion of a former light-bulb factory at Ammanford, above Llanelli, to help convert it into a managed workshop capable of accommodating up to 23 starter units.

Another £15,000 has gone towards improving a senior citizens' hall in the borough of Islwyn, in Gwent; and a post office in Tonypandy, in the Rhondda, has received £25,000 towards the cost of pedestrianisation. A chapel in Merthyr Tydfil has received £50,000 towards refurbishment, and the bus station in the town has been improved.

Porth, in the Rhondda valley, and Rhymney have both been helped to make environmental improvements, and commercial properties have been assisted in Aberdare.

Critics have accused the Government of merely tinkering with the problem, and it is true that the amounts in schemes such as these do not add up to very much. Fourteen projects are being backed to the tune of £450,000, and it is not possible to do very much at an average cost of £30,000 each.

The Government replies that some projects have attracted larger grants but that, in any case, this spending has to be seen in conjunction with being stimulated in the private sector.

The first private executive housing in a south Wales valley has just been completed by the Barratt group at Clydach Vale, in the Rhondda. The Wales Tourist Board has helped to turn golf-course complexes into hotels and backed heritage schemes. Two of the leading brewers, Bass and Whitbread, have announced plans amounting to some £28m to upgrade about 150 of their public houses.

Some authorities have responded better than others to the government iniative.

The Rhondda has eagerly sought ways to benefit from almost everything coming out of the Welsh Office. The adjacent Cynon Valley authority has spent more time pointing out how deprived it is than inseeking ways to benefit.

West Belfast fights back with enterprise culture

NINETEEN years of civil disorder and sectarian strife have taken their toll on West Belfast, *writes our Northern Ireland correspondent*. Chronic unemployment, sub-standard housing, inadequate health and educational provision and a poor physical environment characterise a region acknowledged as one of the most deprived in western Europe.

In some of the sprawling urban conurbations unemployment is running at 80 per cent.

Obsessive international Media interest in the terrorist campaign exacerbates the image problems and makes the attraction of inward investment fiendishly difficult. Yet West Belfast is battling back with a community-based self-help philosophy.

An enterprise culture is gradually transforming the job-starved landscape, and carefully targeted business initiatives are flourishing in what until now has been an economic wilderness.

So seriously is the subject treated that West Belfast recently topped the agenda at a meeting of the Anglo-Irish Intergovernmental Conference.

The British Government, keen to demonstrate to representatives of the nationalist community that practical action was being taken, earmarked an additional £10m for projects in the area this year.

A new central government unit, headed by Northern Ireland's top civil servant Sir Kenneth Bloomfield, who himself survived an IRA murder attempt last month, is co-ordinating a development strategy in consultation with the public agencies and the private and voluntary sectors.

Over the last 18 months, special government action teams, homing in on specific areas, have supported 150 community initiatives in West Belfast. The number of teams, each with an annual budget of £500,000, is being doubled.

Other projects this year include the establishment of job markets in the Falls and Shankill Roads, improvements to community workshops, and an extra 500 jobs for the long-term unemployed with emphasis on self-help community initiatives.

The consumer spending boom has not gone unnoticed, and last month 120 adults embarked on a year-long training programme in the retail and distribution sector.

That initiative should pay dividends when a £5m shopping development being undertaken by the private sector at Andersonstown opens in two years time.

A major package of support is also being provided for the West Belfast Enterprise Board, to help it establish a centre for enterprise development in the former American Monitor premises.

Two months ago the International Fund for Ireland, set up with donations from the US, New Zealand and Canadian governments, weighed in with a £500,000 grant to the board.

Around £300,000 will be used to sub-divide the factory, and the rest will form a "seedcorn fund" from which the board will sponsor fledgling enterprises.

The International Fund has already approved support of £1m towards the cost of six local enterprise projects in North and West Belfast. These cross-community ventures aim to accelerate the development of local businesses, through the provision of small factory units with centralised services and access to management advice and business counselling.

In an attempt to enlist the positive involvement of local people through community initiatives, the Government has authorised a further £250,000 for the voluntary sector this year.

Part of the £10m cash injection will be used for new health, education and environmental projects designed to improve the general quality of life for local residents.

When set against a planned public expenditure programme of almost £600m in Belfast this year, the extra £10m seems like a drop in the ocean by comparison with the extent of deprivation. Indeed, Mr Gerry Adams, Sinn Fein MP for West Belfast, argues that the Government is simply trying to give the impression of doing something while ignoring the basic problems of the area.

The Social Democratic and Labour Party, Northern Ireland's main constitutional nationalist party, believes an injection of £100m to tackle deprivation would be more realistic.

But it is clear that the reversal of the social and economic decline of West Belfast has been given a high priority by the Government.

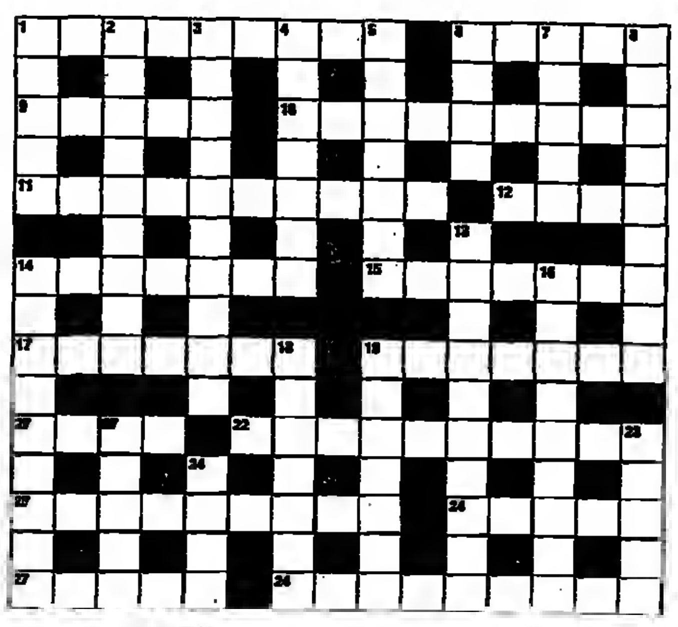
FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

JOTTER PAD

CROSSWORD

No. 6,749 Set by TANTALUS



ACROSS

1 and 6 Swain's super cultivation ends up a weed! (9-5)
9 On reflection sailor discovers ten is the quotient (5)
10 School doesn't start before principal displays aquatic plant (5-4)
11 "I can resist everything except ——" (Wilde) (10)
12 Support animal (4)
14 Musician accepts bridge player is a clumsy person (7)
15 Section of matins has unfinished piece of music (7)
17 Form of greeting is endless with this number!(7)
19 Boy at home with oriental girl (7)
20 Apprentice goes to expert for fabric (4)
22 Let an MP air amendment at this assembly (10)
25 His art can convert a nihilist (9)
26 Discharge offspring (5)
27 Either way it's a doctrine (5)
28 Summer in France with sailors – find friend for ever (9)

DOWN

1 Odds on rodent getting a fish (5)
2 I'm sent tea to brew in this cafe (9)
3 Lo! Or they go wrong with study of religious feasts (10)
4 Special care on hill – this could be nuclear (7)
5 Teacher to look in for some food (7)
6 Move film camera round west to see man on board (4)
7 Thread one's way through to meet magistrate (5)
8 Stamina shown by topless men on French river (9)
13 Many go to America in battle charge (10)
14 Sparkling diamond (9)
16 Type of joint seen worldwide? (9)
18 True, I go to home counties to make profit (7)
19 Father allowed note to get artist's equipment (7)
21 Feature about a series of shops (5)
23 Those people carrying weight become strong (5)
24 Some musicians catch on to this jazz singing (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 15.

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out last Friday.
Other explanatory notes are contained in the last column of the FT Unit Trust information pages.

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

Black Horse Life Ass. Co Ltd

Mountbatten Hse, Chatham, Kent. 0634 834000

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
The Managed Fund	442.06		–	41798
The Income Fund	432.14	454.89	–	41799
The Extra Income Fund	404.35	425.64	–	41800
The W'dwd Grwth Fd.	305.41	321.49	–	41801
The Balanced Fund	353.50	372.11	–	41802
Smlr Co's & Rcry Fd	532.05	560.06	–	41803
The Int. Technology Fd.	305.93	322.04	–	41804
The Nth Amer & Gen Fd.	218.35	229.85	–	41805
The Energy Int. Fd.	121.23	127.62	–	41806
The Pacific Basin Fund	270.72	284.97	–	41807
The German Growth Fund	105.42	110.97	–	41808
The Japan Growth Fund	173.71	182.86	–	41809
The UK Growth Fund	127.48	134.19	–	41810
The Contl Eur Grwth Fd.	69.66	73.33	–	41811
Nth Amer S.C. & Rcry	119.64	125.94	–	41812
The Property Fund	236.94	249.42	–	41813
The Fixed Interest Fd.	211.14	222.26	–	41814
The Cash Fund	191.58	201.67	–	41815
The Managed Invest Fd.	278.66	293.33	–	41816
Pension Funds				
Managed Pen Fd.	109.12	114.87	–	46192
Fixed Int. Pen Fd.	101.13	106.46	–	46193
Property Pen Fd.	111.10	116.95	–	46194
Cash Pen Fd.	102.93	108.35	–	46195
UK Equity Pen Fd.	101.86	107.23	–	46196
Nth Amer Pen Fd.	97.62	102.76	–	46197
European Pen Fd.	101.65	107.00	–	46198
Far East Pen Fd.	94.93	99.93	–	46199

British National Financial Services

Perrymount Road, Haywards Heath 0444 414111

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OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

	Bid Price	Offer Price	Yield Gross	City-line
Prop. Dist. (Gross)	176.5	185.8	—	43235
Prop. Acc. (Gross)	285.7	300.8	—	43236
Equity (Gross)	658.9	693.6	—	43237
Managed (Gross)	473.1	498.1	—	43238
Prop. Acc. (Net)	132.0	139.0	—	43239
Equity (Net)	153.9	162.0	—	43240
Managed (Net)	145.2	152.9	—	43241
Internat'nal (net)	131.6	138.6	—	43242
Gilt & Fxd Interest	100.2	105.5	—	43243
Money Fund	101.0	106.3	—	43244
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	447.7	471.3	—	43245
Ret Man (Series 2)	151.9	159.9	—	43246
Ret Man (Series 3)	99.9	99.9	—	—
Ret Cash	125.1	131.7	—	43247
Ret Cash (Series 3)	102.5	102.5	—	—

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

	Bid Price	Offer Price	Yield Gross	City-line
Life Assurance Funds				
Wealth Assd	388.8	409.4	—	43248
Eb'r Ph. Eq	329.4	350.5	—	43249
Pension Plan Funds				
Phoenix				
UK Equity Acc	169.9	178.8	—	43250
International Acc	143.8	151.3	—	43251
Property Acc	149.4	157.2	—	43252
Fixed Interest Acc	157.5	165.7	—	43253
Money Acc	144.5	152.1	—	43254
Bldg. Soc. Link Acc	141.4	148.8	—	43255
Special Mnged. Acc.	153.9	162.0	—	43256
Phoenix/Framlington				
Intnl. Growth Acc	89.10	93.70	—	43257
Am. Smllr. Cos. Acc	90.40	95.10	—	43258
Capital Tst. Acc	171.4	180.9	—	43259
Japan & Gen Acc	189.2	199.1	—	43260
American Tsrs. Acc	98.80	103.9	—	43261
Recovery Tst. Acc	178.5	187.8	—	43262
Special Mngd Acc	150.9	158.8	—	43263
Phoenix/GT				
International Acc	134.8	141.8	—	43264
US & General Acc	88.90	93.50	—	43265
Amer Spec Sits Acc	67.90	71.40	—	43266

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	Yield Gross	City-line
Unit Fund	893.7	938.4	—	43476
Equity Fund	203.1	213.3	—	43477
International Fd	132.0	138.6	—	43478
Fixed Interest Fd	150.8	158.3	—	43479
Property Fund	172.7	181.3	—	43480
Index-Linked Fund	125.2	131.5	—	43481
Deposit Fund	130.3	136.8	—	43482
Pen. Mixed (Ord) Fd	206.5	216.8	—	43483
Gold Pensions				
Discretionary Fund	100.1		—	—
Equity Fund	99.2		—	—
Fixed Interest Fund	103.0		—	—
International Fund	98.6		—	—
Property Fund	100.0		—	—
Index-Linked Fund	102.2		—	—
Deposit Fund	102.1		—	—
S & F Consolidation	101.7		—	—
S & F Balanced	99.7		—	—
S & F Maximum Growth	95.9		—	—

Provident Mutual Life Assc. Assn.
Willian Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	Yield Gross	City-line
Managed Ord	286.7	301.8	—	43484
Managed Init	235.9	248.3	—	43485
Equity Ord	401.3	422.4	—	43486
Equity Init	330.2	347.6	—	43487
Index Linked Gilt Ord	123.8	130.3	—	43488
Index Linked Gilt Init	106.4	112.0	—	43489
Overseas Equity Ord	258.5	272.1	—	43490
Overseas Equity Init	212.7	223.9	—	43491
Property Ord	172.6	181.7	—	43492
Property Init	142.0	149.5	—	43493
Fixed Interest Ord	170.9	179.9	—	43494
Fixed Interest Init	140.6	148.0	—	43495
Deposit Ord	136.3	143.5	—	43496
Deposit Init	112.1	118.0	—	43497
Pension Funds				
Managed Ord	347.0	365.3	—	43498
Managed Init	285.5	300.5	—	43499
Equity Ord	503.5	530.0	—	43500
Equity Init	414.3	436.1	—	43501
Pen Ind Lkd Gilt Ord	133.5	140.5	—	43502
Pen Ind Lkd Gilt Init	114.7	120.7	—	43503
Overseas Equity Ord	293.6	309.1	—	43504

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	"Shorts" (Lives up to Five Years)					
41	Redemption 3pc 1986-96	99¼xd	–	25.8	1Apr 1Oct	1278
2,050	Treas. 9½pc '88	99[illegible]xd	–	19.9	25Apr 25Oct	1346
2,250	Treas 11½pc 1989	100[illegible]	11.25	18.7	22Aug 22Feb	1291
855	Treas 9½pc Cnv 1989	99¼xd	10.98	12.9	18Oct 18Apr	1348
500	Treas 3pc 1989	96¼	8.43	8.4	15Nov 15May	1327
1,400	Treas 10½pc 1989	99[illegible]	11.02	9.5	14Dec 14Jun	1287
2,400	Exch 10pc 1989	99[illegible]	10.97	27.6	1Feb 1Aug	1250
2,000	Exch 11pc 1989	100[illegible]	10.76	23.8	29Mar 29Sep	1256
601	Treas 5pc 1986-89	95½xd	9.59	8.9	15Apr 15Oct	1329
535	Exch 10¼pc Cv '89	99[illegible]	10.48	8.4	15May 15Nov	1255
1,000	Treas 13pc 1990‡‡	103[illegible]	10.18	8.6	15Jul 15Jan	1300
1,400	Exch 11pc 1990‡‡	100[illegible]	10.16	6.7	12Aug 12Feb	1257
1,250	Exch. 12½pc 1990	102[illegible]	10.32	16.8	22Sep 22Mar	1262
550	Treas. 3pc 1990	91[illegible]	8.92	5.4	8Nov 8May	1325
600	Treas 8¼pc 1987-90‡‡	97¼	10.14	9.5	15Dec 15Jun	1340
1,000	Treas. 8pc Cv 1990‡‡	98[illegible]	9.17	9.6	16Jul 16Jan	4680
1,887	Treas. 10pc Cv 1990	99[illegible]xd	10.23	19.9	25Apr 25Oct	1285
500	Exch 2½pc 1990	88[illegible]	8.56	15.4	22May 22Nov	1270
2,200	Treas 11¾pc 1991	102¾	10.21	3.6	10Jul 10Jan	1292
400	Funding 5¾pc '87-91‡‡	91[illegible]xd	9.66	1.9	5Oct 5Apr	1275
400	Treas. 3pc 1991	[illegible]	8.60	6.4	13Nov 13May	1326
646	Treas 10pc Cv '91‡‡	100[illegible]	9.92	6.6	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	102¼xd	10.17	19.9	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	94[illegible]	10.20	4.5	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	107[illegible]	10.13	15.6	22Jul 22Jan	1297
1,600	Treas 10pc 1992	99[illegible]	10.11	15.7	21Aug 21Feb	1283
1,400	Treas. 8pc 1992‡‡	93[illegible]xd	10.13	6.9	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	100[illegible]	10.17	31.3	7Nov 7May	1289
500	Treas. 3pc 1992	83[illegible]	8.34	5.5	11Dec 11Jun	1328
1,350	Exch. 12¼pc '92	106[illegible]	10.18	19.7	25Feb 25Aug	1265
1,757	Exch 13½pc 1992	110[illegible]	10.20	16.8	22Mar 22Sep	1266
950	Treas 8¾pc 1993	93[illegible]	10.13	12.7	18Aug 18Feb	–
1,850	Treas 10pc 1993‡‡	99[illegible]xd	10.10	8.9	15Oct 15Apr	1279
1,100	Treas 12½pc 1993‡‡	106[illegible]	10.12	7.6	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	88¼	9.00	9.8	15Mar 15Sep	1276
	Five to Fifteen Years					
1,250	Treas 13¾pc 1993‡‡	119[illegible]	[illegible]	18.4	23May 23Nov	1304
1,050	Treas. 8½pc 1994	93[illegible]	[illegible]	27.6	3Aug 3Feb	–
–	Treas 8½pc 1994 A	93[illegible]	[illegible]			–
600	Treas 14½pc 1994‡‡	117[illegible]	[illegible]	26.7	1Sep 1Mar	1307
1,100	Exch 13½pc 1994	113[illegible]	10[illegible]	20.9	27Oct 27Apr	1267
1,400	Treas. 10pc Ln. 1994‡‡	99[illegible]	[illegible]	3.5	9Dec 9Jun	1284
1,550	Exch. 12½pc 1994	109[illegible]	[illegible]	18.7	22Feb 22Aug	1263
1,600	Treas 9pc 1994‡‡	95[illegible]	9.[illegible]	11.4	17May 17Nov	1345
2,350	Treas 12pc 1995	108[illegible]	10[illegible]	20.6	25Jul 25Jan	1294
229	Exch 3pc Gas 90-95	83xd	[illegible]	26.9	1Nov 1May	1271
2,100	Exch. 10¼pc 1995	100[illegible]	10[illegible]	14.6	21Jan 21Jul	1254
1,000	Treas 12¾pc 1995‡‡	112[illegible]	10[illegible]	8.4	15May 15Nov	1298
900	Treas. 14pc '96	110[illegible]	[illegible]	15.6	22Jul 22Jan	1305
750	Treas. 9pc 1992-96‡‡	95[illegible]	9.85	9.8	15Sep 15Mar	1344
1,350	Treas 15¼pc 1996‡‡	126xd	10.25	27.9	3Nov 3May	1309

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
	Undated					
359	Consols 4pc	43[illegible]	–	27.6	1Feb 1Aug	1239
1,909	War Loan 3½pc‡‡	38[illegible]	–	25.4	1Jun 1Dec	1352
154	Conv. 3½pc '61 Aft	59[illegible]xd	–	25.8	1Apr 1Oct	1243
56	Treas. 3pc '66 Aft	32½xd	–	1.9	5Apr 5Oct	1524
276	Consols 2½pc	27¼xd	–	1.9	5Ja Ap Jul Oct	1238
475	Treas. 2½pc	27¼xd	–	25.8	1Apr 1Oct	1315
	Index-Linked	(b)	**			
500	Treas 2pc IL '90(84.6)	122[illegible]	3.10	20.6	25Jul 25Jan	1311
650	Do. 2pc '92‡‡(97.8)	102½	3.49	17.8	23Mar 23Sep	1312
400	Do. 2 '94 (102.9)	94[illegible]	3.57	–	16Nov 16May	–
1,000	Do. 2pc '96(67.9)	137[illegible]	3.60	10.8	16Mar 16Sep	1313
900	Do 2½pc '01(78.3)	114[illegible]	3.97	18.8	24Mar 24Sep	1316
800	Do. 2½pc '03(78.8)	111½	3.98	13.4	20Nov 20May	1317
1,200	Do. 2pc '06(69.5)	113¾	3.96	13.6	19Jan 19Jul	1324
950	Do. 2½pc '09(78.8)	106[illegible]	3.95	13.4	20Nov 20May	1318
1,350	Do. 2½pc '11(74.6)	118[illegible]	3.95	18.7	23Feb 23Aug	1319
1,100	Do. 2½pc '13(89.2)	91[illegible]	3.91	11.7	16Feb 16Aug	1320
1,700	Do. 2½pc '16(81.6)	98[illegible]	3.89	20.6	26Jan 26Jul	1321
1,400	Do. 2½pc '20(83.0)	95[illegible]xd	3.83	9.9	16Oct 16Apr	1322
900	Do. 2½pc '24‡‡(97.7)	80[illegible]	3.79	10.6	17Jan 17Jul	1323

**Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1988:103.3 and for August 1988:107.9

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Amount £m	Stock	Price £	Red. Yld.
50	African Dev Bk 11¼ Ln 2010	104[illegible]	10.56
100	Asian Dev Bk 10¼pcLn2009	100[illegible]	10.16
100	Australia 13½pc 2010	125½	10.49
100	Do. 11¾pcLn2015	109[illegible]	10.51
75	Euro Inv Bk 11pc Ln 2002	105[illegible]	10.20
100	Do. 10¼pc2004	101[illegible]	10.17
75	Int-Am Dev Bk 12½pc 2003	116[illegible]	10.31
175	Do. 9¾pcLn 2015	96[illegible]	10.17
75	Mlysia 10¾pcLn 2009	94¼xd	11.44
50	Utd. Mexican States 16½pc 2008	110[illegible]	14.78

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	45xd	3.50	7.78	3.5	1May 1Nov	[illegible]
4	Do. 6pc 28 Stb. Ass.	45	3	6.67	1.8	1Feb 1Aug	[illegible]
–	Do 4pc Mixed Ass.	45xd	2	4.44	5.4	1Apr 1Oct	[illegible]
1	Hung. '24 Ass.	77	2.75	3.57	3.5	1May	[illegible]
40	Hydro Quebec 15pc 2011	135¾	15.00	10.75	28.4	31May 30Nov	
30	Iceland 14½pc Ln 2016	128[illegible]	14.50	11.17	4.1	31Jan 31Jul	
30	Ireland 9¾pc '91-96	97½	9.75	10.20	1.8	1Mar 1Sep	[illegible]

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
6,570.6	Abbott Laboratories‡	28¾xd	$1.20	2.4	12.7	Fb My Ag Nv	[illegible]
214.3	Allegheny & W 1c.	415p	30c	4.2	–	–	
1,402.6	Amax $1	12½	Q20c	1.0	5.8	Mr Jn Se De	[illegible]
1,220.8	Amdahl 5c.	11⅝xd	b10c	0.5	10.8	My Mr Jn Ag	
2,598.4	Amer. Cyanamid $5	28¼	$1.20	2.5	22.2	Mr Je Se De	
8,395.1	Amer. Express 60c.	16⅝xd	76c	2.6	9.7	Fb My Ag Nv	[illegible]
823.1	Amer. Medical Int. $1	10½	♦72c	4.2	11.1	Fb My Ag Nv	
16,642.1	American T. & T. $1	15½	$1.20	4.5	27.5	Fb My Ag Nv	[illegible]
7,768.2	Ameritech $1	55½	$5.40	5.7	27.6	Fb My Ag Nv	
463.3	Amfac‡	27¾	–	–	11'84	Mr Jn Se De	
5,810.7	Anheuser-Busch $1	19¾	60c	1.8	0.8	Mr Jn Se De	[illegible]
1,763.2	BankAmerica $1 ⅔	969p	–	–	11'85	Fe My Au No	[illegible]
1,858.4	Bankers N.Y. $1	23½	$1.86	4.6	26.3	Ap Jly Oc Jan	[illegible]

[illegible]

Continued on next page

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
6,526.6	Texaco $6.25	26¾	$3.00	6.6	4.8	Mr Jn Se De	4200
2,438.9	Texas Instr. $1	24⅝	72c	1.7	22.9	JAJO	–
6,334.4	Time Inc. $1	66⅝	$1.00	0.9	25.8	Mr Jn Se De	4234
1,580.1	Transamerica $1	28⅞	$1.84	5.2	30.9	Ja Ap Ju Oc	4289
551.0	TRINOVA Corp.	16⅛	64c	2.3	10.8	Mc Je Se De	4309
5,147.0	USX $1	16¾	$1.20	4.2	2.8	Mr Je Se De	4380
3,115.1	Utd. Technologies	23⅛	$1.60	4.0	24.0	Mr Jn Sp Dc	4381
6,912.8	US West	34½	$3.52	6.0	15.4	Fb My Ag No	–
5,525.9	Waste Management $1	24½	48c	1.2	16.9	Ap Jly Oc Jan	4439
1,029.8	Whirlpool $1	14¾	$1.10	4.3	25.01	Mr Jn Se De	–
2,183.8	Woolworth $3½	33¼	$1.64	2.9	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ABM Gold Corp	201p	–	–	–	–	–
–	Abbot Energy Corp.	14p	–	–	–	–	–
590.4	Amer. Barrick Res.	14¼	–	–	–	–	–
–	American Lightwave	8¼p	–	–	–	–	–
–	Armenon	9¼p	–	–	–	–	–
–	Augmitto Expln.	30p	–	–	–	–	–
1,442.5	Bk. Montreal	15¾	$2.00	7.0	8.8	Fb My Ag Nv	–
1,192.5	Bk. Nova Scot.	719p	76c	5.1	28.9	Ja Ap Ja Oc	–
4,829.6	BCE	17⅝	$2.44	6.6	6.6	Ap Jy De Ja	–
262.6	Bow Valley	634p	40c	3.1	15.12	May Nov.	–
848.6	Brascan	12½	88c	3.4	28.10	Ja Ap Jy Oc	–
45.3	Breakwater Res.	202p	10c	2.4	–	–	–
1,819.4	Can. Imp Bank	11⅝	$1.16	4.9	29.6	Fe My Au No	–
3,220.1	Can. Pacific	16⅝	60c	2.7	28.9	July Jan.	–
18.0	Do. 4pc Deb £100	38¼	4%	10.4	26.6	July Jan.	2082
[illegible]	Central Capital "A"	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

PROPERTY

TEXTILES—Contd

TRUSTS, FINANCE, LAND—Contd

OIL AND GAS—Contd

MINES—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
—	♥Stho. Goldfields.	4	—	—	—	—	4852
—	♥Southern Pacific.	16	—	—	—	—	4061
—	♥Southern Res.	25	—	—	—	—	4062
—	♥Southern Ventures 25c	7	♦o0.5c	3.6	—	—	4063
—	♥Spargos MiningNL	8½	—	—	—	—	—
—	♥Swan Res 20c.	4	—	—	—	—	4146
—	♥West Coast 25c	7	—	—	—	—	4462
1,948.1	Westn. Mining 50c.	231	Q20c	4.2	6.4	May Dec	4479
—	♥Whim Creek 10c.	93	Q11c	6.8	—	—	4486

Tins

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
4.12	♥Ayer Hitam SM1	45	[illegible]	‡	9.3	Apr. Nov.	1714
5.51	Geevor	79	—	—	6'85	—	2670
8.77	Gopeng Berhad M$0.50	55	Q10c	4.1	10 3	Jan Sept	2726
3.97	Jantar 12½p	81	‡	—	6'86	—	3022
210.0	Malaysia Mng. 10c.	51	†Q3.5c	1.6	11 4	Dec Aug	3272
13 1	Petaling SM1	138	†Q50c	8 7	6.6	December	3644
3 07	Sungei Besi SM1.	90	Q70c	17.6	18 7	September	4140
1.78	Tanjong 15p	120	—	—	6'81	—	—
13.4	Tronoh SM1.	130xd	†Q25c	4.3	19.9	Oct July	4314

Miscellaneous

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
3.15	Anglesey Mining 9p	[illegible]	3.8	—	—	—	—
0.22	Do. Warrants	[illegible]	—	—	—	—	5072
—	Anglo-Dominion	[illegible]	—	—	—	—	—
77.0	Butte Mining 10p.	[illegible]	—	—	—	—	2024
—	♥Calby Res Corp.	[illegible]	—	—	—	—	—
4.58	Cons. Murch. 10c.	[illegible]	Q30c	6.9	11.1	Aug. Feb.	2216
—	♥DRX Inc.	[illegible]	—	—	—	—	—
20.5	♦Emex Int. Ir10p	24½	—	—	—	—	1416
31.2	♦Exploura L/V 5p	[illegible]	—	—	—	—	2518
1.00	Glencar Explo.	[illegible]	—	—	—	—	—
26.6	Greenwich Res.	[illegible]	—	—	—	—	2773

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

THIRD MARKET

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid
2.48	Rentamaster 5p	61	u1.0	2.2	—	—
9.38	Royal Sovereign 10p.	212	†4.6	2.9	11.4	May Nov
1.72	Scott Pickford 10p.	24½	3.1	16.9	—	—
6.81	Seacon Hldgs.	98xd	21.0	1.4	19.9	—
1.32	Sonic Tape 2½p.	10½	—	—	—	—
6.91	Staks Hldgs. 5p.	25	—	—	—	—
4.99	Swanyard Studios 1p	3½	—	—	—	—
23.8	Talcare	273	b1.0	0.5	—	—
14.9	Theme Holdings	66	♦1.1	2.2	25.4	June Dec
3.14	Tomorrows Leisure 20p	28	—	—	—	—
11.3	Tullow Oil 10p.	18	—	—	—	—
4.43	UPL Group 10p.	110	12.41	2.9	23.3	—
6.70	Unit Group	165	3.0	4.0	4 7	Jan July
7 60	Video Tape Rec 5p.	110	12.3	2.8	9.5	—
0.88	Wilton Group	5¼xd	—	—	—	—

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. Θ Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p. γ	71	......
Craig & Rose £1. γ	690	......
Finlay Pkg. 5p. γ	86	......
Holt (Jos) 25p. γ	£11¼	......

Arnotts γ	390	+2
Carrol Inds γ	160	+1
Grafton Grp. γ	130	.....
Hall (R. & H.)	150	−15
Helton Hldgs. γ	97	......
Irish Ropes γ	163	......

IRISH

Cap. 8½% Ln. 1991.	£98½	......
9pc Cap Ln. 1996	£100¼	......
Fin. 13% 97/02	£121¼	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	33
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons.	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	43
GUS 'A'	93
Guardian	85
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen.	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	50
Marks & Spencer	17
Midland Bk.	37
Morgan Grenfell	30
NEI	10
Nat West Bk.	52
P & O Dfd.	52
Plessey	16
Polly Peck	30
Racal Elect.	32
RHM	38
Rank Org Ord	64
Reed Intnl.	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property

Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils

Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines

Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Doubts surround the pound's trend

By Colin Millham

STERLING'S MAJOR trend is still up, according to Barclays de Zoete Wedd, and is a strong buy, heading for DM3.25 and $1.71 to $1.72.

This appears to be at odds with the view that the UK trade deficit will drag the currency lower, but follows news last Tuesday that the August current account deficit was £1.31bn, against a record £2.15bn in July.

BZW suggests that technical chart factors favour sterling. Based on the better trade data, and the fact that interest rates look set to stay at 12 p.c., there is a fundamental view that the pound is a low risk currency, according to BZW.

Other City observers are not so sure, about sterling's course.

Mr Nick Parsons, at Union Discount, said he thought it unlikely sterling would move very far in the short term, remaining trapped between the prop of high interest rates, and the depressing factor of the trade deficit.

UK money supply and bank lending figures will be released on October 20, followed by the September trade data on October 27. These are the figures most likely to move the pound, and in the meantime little is expected to happen.

UK official reserves for September will be announced tomorrow, and are expected to have fallen slightly, reflecting Bank of England support for the pound earlier in the month. But the news is unlikely to provide any great movement on the exchanges.

The main news this week will probably centre on Friday's US employment data for September.

The general level of forecasts suggests that unemployment will remain at 5.6 p.c. and that the rise in non-farm payrolls will be about 220,00 to 230,000, compared with 219,000 in August.

It was the lower than expected rise in August employment growth that led the market to believe the US economy is not overheating, and that the Federal Reserve does not need to tighten its credit policy.

When this figure was announced last month the prospects of higher US interest rates faded, and upward pressure on the dollar eased.

Providing that September employment growth is around the level of expectations there seems no reason to believe the dollar will suddenly surge upwards.

The central banks intervened together to sell the dollar last Monday, as Group of Seven finance ministers met in West Berlin.

The scale of intervention was modest, but was enough to cap a developing dollar rise, and left the market in little doubt about the G7's commitment to stable exchange rates.

It may be a cynical view, but many observers believe the markets are happy to go along with a period of stability, if only to assist Mr George Bush in winning the US presidential election next month.

If the foreign exchanges do remain steady for the next month or so, sterling seems to be a favourite currency for short-term investment, if only because it is better to be in a stable currency yielding 12 p.c., than an equally stable one yielding 3 p.c.

September proved a reasonably good month for sterling, with the pound little changed against the dollar and firmer in terms of the D-Mark.

Sterling's exchange rate index closed at 75.9 on Friday, compared with 75.8 at the end of August.

This came as a relief to the City, where nervousness about the UK trade deficit and the growth in bank lending had pushed the pound lower, and interest rates up, at the beginning of the month.

The key three-month interbank rate rose to 12½ p.c. in early September as sterling weakened, but after some better than feared economic news, the three-month rate finished the month at under the present base rate level of 12 p.c.

The rise in August bank and building society lending (M4) was much lower than expected, and the August trade deficit was less than feared.

£ IN NEW YORK

Sept.30	Closing	Previous Close
£ Spot	1.6920-1.6930	1.6815-1.6825
1 month	0.49-0.48pm	0.48-0.46pm
3 months	1.37-1.35pm	1.28-1.26pm
12 months	4.12-4.07pm	4.10-4.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sept.30	Previous
8.30 am	75.9	76.0
9.00 am	75.9	75.9
10.00 am	75.9	75.8
11.00 am	76.0	75.9
Noon	75.9	75.9
1.00 pm	75.9	76.0
2.00 pm	75.9	75.9
3.00 pm	75.9	75.8
4.00 pm	75.9	75.8

CURRENCY RATES

Sept.30	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.766245	0.654935
U.S. Dollar	6.50	1.29051	1.10422
Canadian $	8.75	1.57120	1.34218
Austrian Sch.	4	17.0829	14.6011
Belgian Franc	7	50.8913	43.4897
Danish Krone	7½	9.31038	7.96198
Deutsche Mark	3½	2.42784	2.07549
Neth. Guilder	4	2.72717	2.33973
French Franc	9½	8.26507	7.06480
Italian Lira	12½	1810.06	1545.91
Japanese Yen	2½	173.315	148.595
Norway Krone	8	8.96001	7.63844
Spanish Peseta	-	160.732	137.089
Swedish Krona	8½	8.32056	7.10676
Swiss Franc	3	2.05614	1.75626
Greek Drach.	20½	N/A	168.239
Irish Punt	-	N/A	0.774456

*All SDR rates are for Sept.29

CURRENCY MOVEMENTS

Sept.30	Bank of England Index	Morgan** Guaranty Changes %
Sterling	75.9	-16.4
U.S. Dollar	99.6	-8.6
Canadian Dollar	85.1	-2.4
Austrian Schilling	133.5	+9.9
Belgian Franc	97.8	-6.0
Danish Krone	88.7	+0.1
Deutsche Mark	143.8	+20.8
Swiss Franc	164.6	+18.9
Guilder	132.4	+13.4
French Franc	68.5	-15.3
Lira	44.8	-21.3
Yen	239.0	+77.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) **Rates are for Sept.29.

OTHER CURRENCIES

Sept.30	£	$
Argentina	20.0800-20.2300	11.9200-12.0000
Australia	2.1450-2.1480	1.2735-1.2745
Brazil	601.55-604.85	356.95-358.65
Finland	7.4605-7.4820	4.4300-4.4320
Greece	254.65-259.15	151.05-153.55
Hong Kong	13.1635-13.1795	7.8090-7.8110
Iran	120.30*	70.80*
Korea(Sth)	1204.50-1214.20	716.10-721.90
Kuwait	0.48690-0.48740	0.28890-0.28900
Luxembourg	66.50-66.60	39.30-39.40
Malaysia	4.5200-4.5350	2.6820-2.6870
Mexico	3849.65-3864.80	2284.00-2292.00
N. Zealand	2.7490-2.7540	1.6315-1.6340
Saudi Ar.	6.3205-6.3260	3.7500-3.7510
Singapore	3.4370-3.4430	2.0390-2.0410
S. Af (Cm)	4.2055-4.2165	2.4975-2.4995
S. Af (Fn)	6.7440-6.8815	4.0000-4.0815
Taiwan	48.50-48.75	28.90-29.00
U.A.E.	6.1895-6.1955	3.6725-3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

Sept.30	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12-11¼	12-11¼	11⅞-11¼	12-11⅞	11⅞-11¼	11⅞-11⅝
US Dollar	9-8⅞	8⅝-8½	8¾-8⅝	8⅞-8¾	8¾-8⅝	8⅞-8¾
Can. Dollar	10⅛-9⅞	10⅛-9⅞	10⅛-9⅞	10½-10¼	10⅝-10⅜	10⅝-10½
D. Guilder	5⅝-5½	5⅝-5½	5¾-5⅝	5⅞-5¾	5¾-5⅝	5⅞-5⅞
Sw. Franc	3¼-2⅞	3⅜-3¼	3½-3⅜	3⅝-3½	3¾-3⅝	4-3⅞
Deutschmark	4⅝-4½	4⅝-4½	5-4⅞	5⅛-5	5¼-5⅛	5⅜-5¼
Fr. Franc	7⅝-7⅜	7¾-7⅝	7⅝-7½	7⅞-7¾	8⅛-8	8⅜-8¼
Italian Lire	12-10	11-10	10¾-10¼	11¼-11	11⅝-11⅛	11⅝-11¼
B. Fr. (Fin.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sept.30	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										

Yen per 1,000: French Fr. per 10; Lira per 1,000; Belgian Fr. per 100.

POUND SPOT- FORWARD AGAINST THE POUND

Sept.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sept.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	Thu Sep 29 1988: US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	Wed Sep 28 1988: US Dollar Index	Pound Sterling Index	Local Currency Index	Dollar Index: 1988 High	1988 Low	Year ago (approx)
Australia (85)	138.10	-0.2	121.69	117.20	4.10	138.37	121.64	117.48	152.31	91.16	167.03
Austria (16)	87.53	-0.3	77.13	85.59	2.44	87.76	77.14	85.65	98.18	83.72	99.84
Belgium (63)	120.14	+0.0	105.86	118.21	4.27	120.10	105.58	118.03	139.89	99.14	125.03
Canada (125)	119.46	+0.6	105.26	105.32	3.25	118.69	104.34	104.90	128.91	107.06	136.61
Denmark (39)	131.41	+0.5	115.79	129.04	2.32	130.80	114.98	128.17	132.72	111.42	115.66
Finland (26)	114.70	+0.1	101.07	106.86	1.65	114.61	100.75	106.74	139.53	106.78	-
France (128)	98.23	+1.1	86.56	98.69	3.29	97.14	85.39	97.41	99.62	72.77	107.57
West Germany (100)	78.68	+0.3	69.33	76.98	2.41	78.46	68.97	76.60	80.79	67.78	100.46
Hong Kong (46)	99.62	-0.4	87.78	99.86	4.98	100.02	87.92	100.29	111.86	84.90	158.66
Ireland (18)	131.01	+1.4	115.44	129.50	3.82	129.23	113.60	127.55	144.25	104.60	153.34
Italy (100)	74.13	+0.8	65.32	77.62	2.59	73.56	64.66	76.91	81.74	62.99	90.15
Japan (456)	159.11	+0.0	140.21	135.13	0.55	159.19	139.94	135.04	177.27	133.61	143.13
Malaysia (36)	136.04	-0.7	119.87	140.10	2.78	137.06	120.48	141.07	154.17	107.83	174.95
Mexico (13)	153.75	-1.4	135.48	384.61	1.41	155.93	137.07	389.81	188.07	90.07	382.57
Netherland (38)	102.24	+0.7	90.09	99.02	4.91	101.54	89.26	98.13	110.66	95.23	123.74
New Zealand (20)	70.22	-0.5	61.88	60.47	6.00	70.59	62.05	60.55	84.05	64.42	133.21
Norway (25)	111.87	+0.0	98.57	105.38	2.84	111.88	98.35	105.31	132.23	98.55	176.06
Singapore (26)	117.82	-0.1	103.82	110.76	2.48	117.94	103.68	110.82	135.89	97.99	163.99
South Africa (60)	106.71	+2.2	94.03	92.38	4.66	104.44	91.81	91.32	139.07	98.26	180.70
Spain (43)	136.68	+0.7	120.44	128.96	3.54	135.75	119.34	127.99	164.47	130.73	159.02
Sweden (35)	119.07	+0.5	104.92	113.65	2.51	118.51	104.18	113.11	125.50	96.92	131.62
Switzerland (55)	77.22	+0.3	68.05	76.27	2.22	76.98	67.67	75.88	86.75	74.13	108.38
United Kingdom (322)	128.15	+0.8	112.93	112.93	4.64	127.17	111.79	111.79	141.18	120.66	157.73
USA (580)	111.44	+1.2	98.20	111.44	3.58	110.08	96.77	110.08	112.47	99.19	133.70
Europe (1008)	104.92	+0.7	92.46	98.36	3.78	104.22	91.62	97.51	110.82	97.01	127.48
Pacific Basin (669)	155.89	-0.1	137.37	132.96	0.77	155.99	137.13	132.90	172.26	130.81	144.43
Euro-Pacific (1677)	135.53	+0.2	119.42	119.09	1.71	135.30	118.94	118.73	147.53	120.36	137.71
North America (705)	111.85	+1.2	98.56	111.08	3.56	110.53	97.16	109.78	113.29	99.78	133.85
Europe Ex. UK (686)	90.40	+0.6	79.66	89.44	3.07	89.87	79.01	88.76	92.99	80.27	108.68
Pacific Ex. Japan (213)	117.14	-0.3	103.22	105.80	4.35	117.47	103.27	106.10	128.27	87.51	160.55
World Ex. US (1875)	134.70	+0.2	118.69	118.48	1.78	134.44	118.18	118.11	146.49	120.26	138.30
World Ex. UK (2133)	125.39	+0.5	110.49	116.34	2.15	124.75	109.66	115.67	131.77	111.77	134.39
World Ex. So. Af. (2395)	125.74	+0.5	110.79	116.17	2.37	125.07	109.95	115.46	132.39	113.26	136.18
World Ex. Japan (1999)	109.60	+1.0	96.58	106.42	3.68	108.56	95.43	105.35	112.43	100.00	133.30
The World Index (2455)	125.62	+0.5	110.69	116.01	2.38	124.95	109.84	115.30	132.38	113.37	136.46

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
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CONSTITUENT CHANGE: Name change; Dee Corporation to Gateway Corporation (UK).

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 88 Vol	Last	Feb. 89 Vol	Last	May 89 Vol	Last	Stock
GOLD C	$420	36	3.40	17	13	-	-	$394.75
GOLD C	$440	6	1.20	3	6.50	15	13.50	$394.75
GOLD P	$380	17	3.50	-	-	-	-	$394.75
GOLD P	$400	128	10.50	110	15.50	14	17 B	$394.75
GOLD P	$420	40	25	6	26 B	2	26 B	$394.75
[illegible]								

TOTAL VOLUME IN CONTRACTS: 41,938
A=Ask B=Bid C=Call P=Put

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	Low	Stock	Closing Price	+or-
[illegible]							

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1988 High	Low	Stock	Closing Price	+or-
[illegible]							

[illegible]

MONEY MARKETS

Bank poses question

THE BANK of England invited the London discount houses to use their borrowing facilities on Friday, at a rate of 12 p.c.

The market was technically short of funds, because of demand for money to meet end of the month and end of the quarter commitments.

Market rates rose on Friday morning, at a time when the pound was climbing steadily on the foreign exchanges. It therefore seemed to be simply a matter of a temporary hiccup in the supply of credit, and in such circumstances it was reasonable for the authorities to offer borrowing facilities; as well as the usual help from bill purchases.

The question the market was left asking however, was whether the official action was purely technical, or whether it had a deeper meaning as far as interest rates are concerned.

It appeared to be a possible indication that the authorities are concerned about dealers becoming too euphoric following slightly better than expected UK trade figures.

There is also a question over whether the Bank of England is saying rates are too low by its action. It certainly appears to be an indication that rates will not fall from 12 p.c. in the foreseeable futnre. This month's economic data may provide an answer.

If the Bank of England believes interest rates will have to be increased again, it would not be in conflict with comments made last week by Mr Nigel Lawson, the Chancellor, that a depreciation of sterling was counter to the Government's anti-inflation policy.

UK clearing bank base lending rate 12 per cent from August 25 & 26

MONEY RATES

NEW YORK (4pm) — Treasury Bills and Bonds

[illegible]

Sept.30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]					
Paris	[illegible]					
Zurich	[illegible]					
Amsterdam	[illegible]					
Tokyo	[illegible]					
Milan	[illegible]					
Brussels	[illegible]					
Dublin	[illegible]					

LONDON MONEY RATES

Sept.30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]						

[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept.30) 3 months US dollars — 6 months US Dollars

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

	Sept.30	Sept.23		Sept.30	Sept.23
[illegible]					

WEEKLY CHANGE IN WORLD INTEREST RATES

	Sept.30	change		Sept.30	change
LONDON [illegible]			NEW YORK [illegible]		

BASE LENDING RATES

[illegible]

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · HONG KONG · SINGAPORE

CANADA

TORONTO
Closing prices September 30

MONTREAL
Closing prices September 30

INDICES

NEW YORK · DOW JONES

CANADA

NEW YORK ACTIVE STOCKS

**Saturday Oct. 1: Japan Nikkei 27,700.13 and TSE 2,135.62
♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday 30 September 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo metal	109.8m	730	+30	Sumitomo Heavy	43.0m	925	+10
Nippon Steel	90.8m	803	uch	Mitsui O.S.K. Lines	38.1m	616	+8
Kobe Steel	61.6m	628	+25	Mitsubishi Heavy	33.4m	979	+15
NKK	55.4m	815	+10	Mitsui Shipbldg	30.5m	713	-14
Kawasaki Steel	47.9m	905	uch	Tobu Rail	27.4m	1,360	+30

2pm prices

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR s	.36	1.4	10	58	26¼	25⅞	26	
10¼	9⅛	ACM G				113	9⅞	9⅝	9⅞	+ ⅛
12⅛	6⅞	ACMIn	1.20a	12.		279	11	10⅞	10⅞	– ⅛
13¼	16⅝	ACMSc	n1.26	12.		824	10⅞	10⅝	10⅞	
10⅛	6⅞	ACMSp	n1.01	11.		x150	9¼	9	9¼	+ ⅛
23⅞	10½	AGS			21	186	26⅛	28½	28⅞	+ ⅛
7¾	2⅝	AMCA				54	4	3⅞	3⅞	
7¾	3¼	AM Ind				425	5⅞	5⅝	5⅝	+ ⅛
28½	17	AM Int pf	2	9.1		6	27⅞	21⅞	21⅞	+ ⅛
57½	28⅛	AMR			10	4382	48⅞	48½	48½	– ¾
27	25	ANR pf	2.67	10.		8	30	26	26	
10	5⅞	ARX			11	40	7⅛	7	7⅛	+ ⅛
70½	35¼	ASA	3	7.8		750	38⅛	37¾	37¾	– ¾
22⅞	9½	AVX	.12e	.6	19	405	19⅛	18⅞	19	+ ⅛
61⅝	40	AbtLab	1.20	2.6	16	5325	48⅞	40⅛	46⅛	– ½
27¼	15⅞	Abitibi g	1			61	18⅞	16⅝	16½	
13½	8½	AcmeC	.40	4.4		22	8	8	9	
9½	6⅝	AcmeE	.32b	4.5	50	27	7	5⅛	7	+ ⅛
20	14⅛	AdaEx	3.05e	20.		216	15½	15⅝	15½	
19¾	9⅞	AdamMl	.24	1.4	16	9	16⅝	14½	16⅝	– ⅛
24⅞	7½	AMD				22898	19	9	9⅞	– 1⅝
56¼	29¼	AMD pf	3	6.7		335	33	30½	31	– 4
9¼	4⅝	Adobe				270	7⅝	7½	7¾	
19⅞	16¼	Adob pf	1.84	11.		28	17¼	16⅞	17⅛	– ⅛
21¾	17½	Adob pf	2.40	11.		7	21	20⅞	21	+ ⅛
12¾	5⅞	Advest	.12	1.4	10	17	8⅞	8¼	8⅞	+ ⅛
61¾	28½	AetnLf	2.12	6.4		86528	51⅞	50¼	50¾	– ⅝
35½	20½	AflPb s	.20	.7		1987	30⅛	29½	30	+ ½
20⅞	13	Ahmans	.80	3.2	11	4398	17¼	14⅞	17	+ ⅛
4⅝	1⅛	Aileen				57	4⅝	4	4⅛	+ ⅛
63⅛	29	AirPrd	1.20	2.9	11	1272	42½	41⅝	41⅞	
27½	11⅛	AirbFrt	.60	3.1	20	120	19⅝	19⅛	19½	
10¼	6¾	Airgas			10	39	14⅝	14¼	14⅝	– ⅛
20	16½	Airlease	2.40	13.	10	9	19⅛	18	19⅛	– ⅛
9¼	7⅝	AlaP	dpf.87	9.6		7	9⅛	9⅛	9⅛	
97	31½	AlaP pf	9	9.7		250	93⅛	93¼	26⅛	– ⅛

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
59½	28¼	BristMy	1.68	3.8	13	9007	44⅞	44	[illegible]	[illegible]
57½	22⅛	BritAir	1.26e	4.5	7	269	28¼	27	[illegible]	[illegible]
34½	27⅞	BritGas	1.82e	6.2	94	25	29½	29	[illegible]	[illegible]
74	44⅞	BritPt	3.16e	6.4	11	1104	28½	4	[illegible]	[illegible]
17⅛	6⅞	BritP wt				117	6½	[illegible]	[illegible]	[illegible]
35	28⅛	BritPt pp				380	32⅛	2	[illegible]	[illegible]
48¼	26	BritTel	1.87e	4.6	9	64	41	4	[illegible]	[illegible]
31	16½	BHP n	1.16e	4.4	15	9	26	2	[illegible]	[illegible]
25⅞	16⅝	BklyUG	1.72	6.9	10	176	24⅞	2	[illegible]	[illegible]
19¼	13½	BwnSh	.32	2.8		27	13¼	1	[illegible]	[illegible]
42½	28⅝	BrwnGp	1.60	4.5	10	258	30¼	3	[illegible]	[illegible]
34¼	17½	BrwnFr	.48	1.6	13	4086	29⅞	2	[illegible]	[illegible]
29⅝	10¼	Brnwk	.44	2.2	9	8088	20	1	[illegible]	[illegible]
30⅞	14	BrshWl	.64	2.4	17	57	27⅛	2	[illegible]	[illegible]
24⅞	17⅛	Buckeye	2.20	11.	7	136	21	20	[illegible]	[illegible]
20¼	10¼	BunkrH	1.76	10.		6	17⅛	17	[illegible]	[illegible]
16¾	13¼	BKInv	1.96	13.	10	19	14	1	[illegible]	[illegible]
25⅞	12	BurInCt			12	17	23¼	1	[illegible]	[illegible]
82	40	BrlNth	2.20	3.1	20	2816	71½	7	[illegible]	[illegible]
9	8	BrlNo pf	.55	5.8		3	8⅝	[illegible]	[illegible]	[illegible]
29⅝	23⅞	BrlRsc	n.15e	.5		3834	u30⅞	29	[illegible]	[illegible]
19⅞	9⅞	Burndy			29	154	16⅞	1	[illegible]	[illegible]
16⅞	6½	Bustaid			19	806	13⅝	1	[illegible]	[illegible]
		– C – C – C –								
21⅞	16	CBI In	.80	2.2	40	103	37⅞	2	[illegible]	[illegible]
64½	37⅞	CBI pf	3.50	7.2		170	48⅞	4	[illegible]	[illegible]
226¼	140½	CBS	3	1.7	16	417	178¾	17	[illegible]	[illegible]
4⅝	2⅝	CCX				2	3¼	[illegible]	[illegible]	[illegible]
11⅛	10½	CCX pf	1.25	13.		z400	10½	d1	[illegible]	[illegible]
67⅞	41¼	CIGNA	2.96	5.6	8	1915	54⅞	5	[illegible]	[illegible]
13¼	9⅝	CIGHI	n.10e	1.3		380	10	[illegible]	[illegible]	[illegible]
30	19	CML			11	28	19½	1	[illegible]	[illegible]
30⅞	10½	CMS En			7	2207	u23	2	[illegible]	[illegible]
28½	47	CNA Fn			8	1133	63⅛	3	[illegible]	[illegible]
12⅞	9¼	CNAI	1.24	10.	9	48	11⅞	1	[illegible]	[illegible]
28½	16¾	CNW			9	380	28⅝	2	[illegible]	[illegible]
32¼	19	CNW pf	2.13	7.9		18	28⅞	2	[illegible]	[illegible]

[illegible]

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices

OVER-THE-COUNTER

Nasdaq national market, 4pm prices September 30

The Business Column

Why small can still be beautiful

Big is beautiful in high-technology. At least, it is in Japan, and would be in America if it were not for those infernal venture capitalists, who tempt innovative engineers to desert corporate employers for supposedly greener pastures on their own.

In the US electronics industry (and, by implication in Britain and anywhere venture capitalism rears its head), this syndrome creates a proliferation of small enterprises with inadequate scale and financial staying power. In exchange, it robs stronger companies of some of their best talent.

That is the controversial thesis of Mr Clyde V. Prestowitz Jr, a former US Department of Commerce official in Tokyo, as expressed in Trading Places (Basic Books, New York) which is attracting considerable attention in America for its revealing inside account of US-Japanese trading negotiations.

Most of the book is a detailed indictment of alleged US government inadequacy in the face of Japan Inc's ruthless industrial and trade strategy. But it also attacks America's obsession with smallness, which it blames on America's long-standing "cowboy spirit" of individual enterprise.

Mr Prestowitz sees this as a major part of the explanation behind the sudden decline over the past few years of the once-dominant US semiconductor industry, as well as the longer-term demise of machine tools and other sectors.

Populist simplicity and stark statistics

Whereas other exponents of the doctrine of scale deploy intricate economic arguments, Mr Prestowitz presents it with populist simplicity, laced with a few stark statistics.

He shows how Japan's NEC, with ultra-patient financial backing from its owner-shareholders (the sprawling Sumitomo group), could afford to strengthen its position in semiconductors immeasurably during the early 1980s by spending over 12 per cent of its group sales on research and development, while producing consistently poor profits. In semiconductors alone, NEC was at one stage spending a remarkable 50 per cent of sales on capital investment and R&D combined. Other Japanese companies were doing precisely the same.

By contrast the US semiconductor industry was spending only about eight per cent of sales on R&D, a rate which has contributed mightily to its competitive decline, according to its critics. Yet Mr Prestowitz calculates that this actually represented over half the industry's annual profit in several years; taking R&D and capital spending together, the industry frequently spent more than it was earning.

The lesson, he claims, is not just that US industry suffers internationally from an impatient stock market (and an excessive cost of capital), but that innovation is often best carried out within very large, diverse corporations which can cross-finance between their wealth of activities. By contrast, the semiconductor companies of Silicon Valley, many of which were spawned from each other by ambitious breakaways, are just too small to operate on their own.

Though Mr Prestowitz's argument clearly does have some force, it is questionable on several grounds, both specific and general. Silicon Valley's slide owes at least as much to inadequate quality management as to its members' relative lack of scale, while Japan's semiconductor surge has had more to do with step-by-step development than with real innovation.

As for his wider belief in bigness, he seems strangely ignorant of the long catalogue of problems which Western companies have experienced with the management of innovation and diversity — and which have spawned today's companion fashions for relative smallness and/or focus.

Cultural and other factors may allow Japanese giants to combine entrepreneurship with scale, and even with diversity, but most of their Western competitors have yet to learn this tricky balancing act. In the meantime limited cross-company collaboration of the type now developing in Silicon Valley is preferable to the implied Prestowitz prescription of gargantuan takeovers.

Christopher Lorenz

THE MONDAY INTERVIEW

Law Lord of Luxembourg

Tim Dickson talks to Lord Mackenzie Stuart, President of the European Court

Asked about his most distressing experiences as a judge at the European Court over the last 15 years, Lord Mackenzie Stuart ponders a moment before replying. "They were," he declares, "when I was faced, as I frequently am, by examples of the abysmal ignorance on the part of even intelligent people in the member states as to what the court is really trying to do."

As one might expect of a 64-year-old Scot whose father was Professor of Law at Aberdeen University, Lord Mackenzie Stuart does not often mince words. But his harshest criticism tends to be aimed, as in the recent controversy over member states' failure to agree the composition of the next Luxembourg "bench", at those be sees playing national politics with a body which is now indisputably the EC's highest legal authority.

Appointed by Edward Heath as Britain's first jurist at the Luxembourg-based institution in 1973, Lord Mackenzie Stuart is about to retire as its President after five of the most dramatic years in the development of the EC. They have seen the court command ever greater popular attention, as the enforcer of equal retirement rights between the sexes and as an opponent of Europe's air transport cartel, and pass more firmly into anti-Common Market demonology, after forcing Britain to levy VAT on a variety of goods and services.

"I take great comfort from the fact that the criticism of the court divides into those who say that we are not moving fast enough and those who say that we are moving much too fast," he says in his office at the court's futuristic headquarters on a hill about a mile from the centre of Luxembourg. "If you get two bodies of criticism that are 180 degrees opposed you are probably getting it about right," he suggests.

For an institution that permeates almost every aspect of the daily life of the Community's 320m citizens, the European Court of Justice is surprisingly little understood. Its 13 judges, one traditionally from each member state with the 13th drawn in rotation from the larger countries, exercise jurisdiction over three categories of cases: national courts seeking preliminary rulings or interpretations of EC law; cases brought against the decisions of Community institutions like the European Commission and the Council of Ministers by the member states; and cases brought against the member states for failing to apply EC law.

Witnesses seldom appear before the red-robed jurists in their awe-inspiring courtroom since the judges generally confine themselves to questions of law; their subsequent deliberations take place in a less intimidating private chamber and, while discussions are no doubt often highly charged, the final judgment (read in the language of the case) is always unanimous.

Lord Mackenzie Stuart, a keen cross country skier and player of *petanque* (the popular French game sometimes known as boules), has clearly relished his long "exile" in Luxembourg. Professor David Edward, the first British President of the Council of European Bars and Law Societies was quoted in the July issue of the New Law Journal as saying the soft-spoken Scot managed successfully to introduce British traditions of legal thought and practice to suspicious continental jurists and persuaded even more hostile British lawyers that the European Court was a suitable venue for the adjudication of important and politically sensitive disputes.

Lord Mackenzie Stuart nevertheless bridles at suggestions that the court itself is "political". He explains: "The court is not a political institution. Its job is to apply the law which is the result of political consensus. In this context I always think of my Dutch colleague, Judge Donner, who ages ago said to me: 'The court never gives political judgments,' and then added after one of his characteristic pauses, 'But sometimes it does remind member states of the agreements they have come to'."

The clear temptation for member states to meddle in the court's work is hinted at in Lord Mackenzie Stuart's view that the European Court should adopt the model of the German Federal Constitutional Court where judges are appointed for 12 years (with no possibility of reappointment). At the moment the 13 judges have a six-year mandate which can be renewed.

"I think the six-year mandate is too short. Twelve years may seem a long time but the court needs continuity since it can take 18 months to two years to see through a single case. It would also avoid the situation where X or Y or Z fails to have his mandate renewed for reasons that are purely political and have nothing to do with the proper work of the court. There have been one or two occasions when we have lost a valued member for reasons which have seemed to me to be inadequate."

Many observers contrast what they see as the court's bolder attitudes in the earlier days of the Community when it often went beyond what was strictly speaking in the treaty — such as its decision in 1963 that individuals could claim EC rights in national courts — with a less robust approach today. Lord Mackenzie Stuart says comparisons are difficult, but he observes that "at the beginning there were a number of important legal decisions to be taken . . . the pros and cons were simpler and perhaps more readily understood.

"We are now, and have been for a decade or more, into the problems of the second phase of the Community: problems which are more subtle and which by their very nature require on the part of the court a rather more shadowed, nuanced approach. Inevitably I think this will continue. I don't see the court being faced as it was in the early days with a number of fundamental black or white, yes or no situations."

But will not the vagueness of the Single European Act — the reforms of the Treaty of Rome which came into effect in mid-1987 and which Lord Mackenzie Stuart himself says is "curiously" drafted in many ways — require the court to adopt a different approach? "It is quite clear that there are ambiguities, even inconsistencies in the Single Act," he says. "But I am personally not too worried about those. What I am convinced is that there will be no question of holding back. The law of the communities has established a number of basic and fundamental rules and I cannot see that the court will water down those rules in any way as a result of the Single Act."

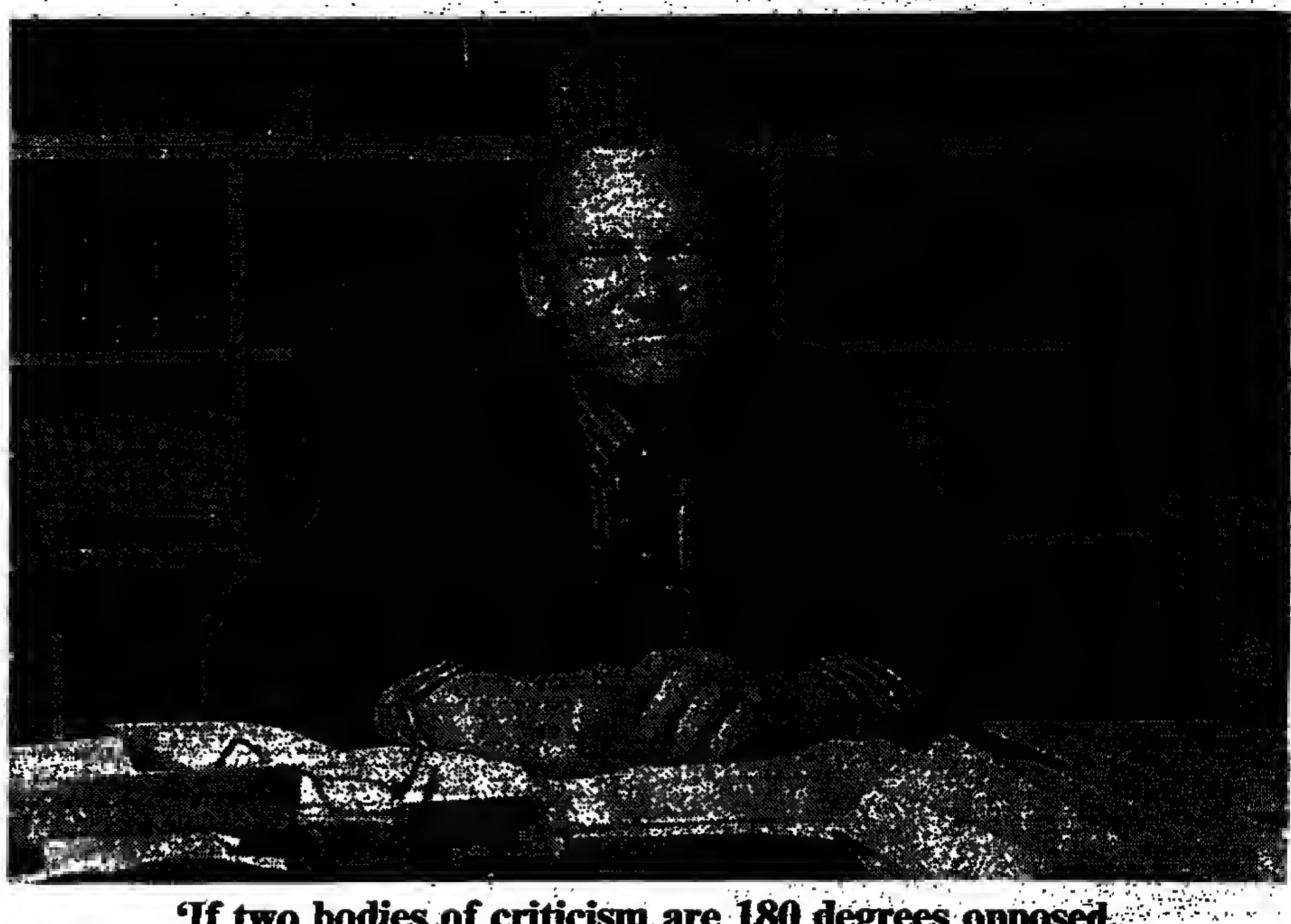
One issue causing growing concern in the run-up to 1992 is that of enforcement, highlighted by recent Commission statistics showing a rising number of cases where member states (notably Greece and Italy) have not implemented Community law. Lord Mackenzie Stuart, however, suggests that the problem is greatly overstated and misunderstood. Half the court's work, he explains, comes in the form of references from national courts ("We're simply an intermediate stage in the judicial process"), other cases put the Commission or the Council of Ministers in the "dock" ("it would be inconceivable for them to defy EC law"), while fines imposed for anti-dumping actions (where the court acts as a court of appeal) are recoverable through national debt collection procedures. "You are left with the very small percentage of our workload where we are asked to say that the actions of a member state are contrary to the treaty. There may be delays in putting our decisions into effect — the parliamentary machinery in some member states is extremely cumbrous — but in all my experience there has been little trouble."

Lord Mackenzie Stuart is naturally enthusiastic about plans for the new so called Court of First Instance, designed to reduce the court's fast growing case load and speed up decisions. He is nevertheless disappointed that, under pressure from the French Government and the European Commission, the Council of Ministers has decided to exclude anti-dumping appeals from the new court's remit. "These are a good example of the sort of cases which involve a vast amount of facts and which would save the existing court a lot of time. By not agreeing to include them, the work of the new tribunal is to some extent going to be impaired.

"When I first arrived at the court we used to get the judgments out on 177 references (cases which came to us from a national court) within six months of the day they came in. It rarely went a week or two beyond this, but now it usually takes 14 to 15 months. I can't see us ever getting back to the happy days of six months but I would hope that, with the Court of First Instance, we will get it back to well under a year. Most member states should find that acceptable."

PERSONAL FILE

1924 Born Aberdeen. Law degrees from Cambridge and Edinburgh Universities. Married with four daughters
1944—47 Served with Royal Engineers
1951 Admitted to Scottish Bar
1963 Queen's Counsel
1971 Appointed Sheriff Principal of Aberdeen, Kincardine and Banff
1972 Appointed Judge of the Court of Session
1973— First British judge at the European Court



'If two bodies of criticism are 180 degrees opposed, you are probably getting it about right'

The case against contingency fees

By Derrick Owles

Popular understanding would give all of us the right to a day in court. The impossibility of securing justice, let alone a day in court, unless we are very rich, is a social evil. We all know it and we all deplore it. Legal aid offers some evidence of society's wish to do something, but it attacks only the fringe of the evil.

Contingency fees have been put forward as an answer. Advocates claim that their widespread use in the US shows that they serve a useful purpose. Yet Americans, even lawyers, are not unanimous in their support.

A contingency fee is an arrangement between the lawyer and client whereby the lawyer takes a percentage of any money recovered in litigation, but nothing if the case is lost.

The major obstacle to the adoption of the system in England is the practice in English courts (not shared by US courts) whereby the party who loses the case pays everyone's costs. This would make it more difficult for a defendant, who never stands to win in the sense of gaining money, to resist an action backed by contingency fees. The contingency fee would also require barristers and solicitors to share the risks inherent in the system.

Assuming that these practical difficulties were surmounted, the English law would need statutory amendment. A solicitor is forbidden to enter a contingency fee agreement by the Solicitors Act and the professional practice rules. The agreement would, moreover, be unenforceable. It is classified as "champerty", a sub-species of "maintenance" — the support of other people's lawsuits — under which the supporter takes a cut in the proceeds of the action. This was declared contrary to public policy under a statute of 1967, which means that the fees could not be recovered. The Act did, however, abolish it as a crime.

The judges have distinguished between paying someone's legal costs (allowed) and taking a cut in the proceeds of the litigation (forbidden).

In one case a minority shareholder brought a representative action in the name of the company, claiming that it was mismanaged by its directors. Too late, he found that legal aid was not available for companies. As he could not afford the legal costs personally, he agreed a contingency fee with his solicitor.

The Court of Appeal condemned this as illegal and contrary to public policy, though Lord Justice Buckley had some sympathy. The litigation lawyer's duty is to advise his client with a "clear eye and an unbiased judgment". Something was also said about the lawyer's duty to the court (Wallersteiner v Moir (No.2) (1975) 1 AER 860).

Americans fear fees based on results are excessive and may encourage unethical behaviour.

In the other case, a bank guaranteed its customer's legal fees in an action against the Nigerian Central Bank on a letter of credit. The bank could not expect to recover any of the money owed to it by its customer unless the action was successful.

This was not an agreement to share the proceeds of the action, although it was "maintenance" of the litigant. It had the nature of a contingency fee, but the Court of Appeal found that public policy need not prohibit the payment of legal costs where the person paying had a legitimate and genuine interest in the case (Trendtex Trading Corp v Credit Suisse (1980) 3 AER 721). The bank was allowed to pay its customer's costs.

Americans frequently express disquiet about contingency fees. Like the UK judges, they fear that a fee based on results may encourage unethical behaviour. They also think that the fees are excessive. Many connect them with the high level of jury awards of damages. Juries, it is said, add a large percentage to cover the contingency fee to their estimate of the true damages.

A report of the American Bar Association in 1984 concluded that contingency fees can be such that no knowledgeable lawyer would call them reasonable — a fee of $383,244 for negotiating a settlement of $1.5m, for example. A percentage fee fails to reflect either the cost to the lawyer or the value of the legal services provided.

The ABA recommended that the court should have power to review contingency fee agreements, but this would add a new field rich in potential disputes to the courts' existing work-load. Reported cases from the US have included, for instance, a dispute about whether a lawyer who withdrew from a case on ethical grounds was entitled to his fees.

The contingency fee is also ill adapted to cases where, instead of awarding the damages in one lump sum, they are ordered to be paid in periodic instalments.

The last word should go to an American lawyer, Robert White, who defined "contingent fee" thus in his Legal Dictionary: a "pay-only-if-you-win arrangement whereby your lawyer agrees to handle your case for a percentage of any damages recovered. The percentage is usually three quarters to nine tenths of the recovery — if your lawyer is asking less, he's performing an act of charity. A properly appreciative client will let the lawyer have the whole thing, plus a tip (15 per cent of the original claim would not be unreasonable)."